

Process	Payroll
Title	Evaluate Effectiveness of Agency Payroll Timekeepers
Observation	<p>Each employee of the District is required to submit a timesheet supporting time worked each pay period. These timesheets are accumulated by agency “timekeepers” each time period for processing. In addition to reviewing these timesheets for reasonableness, the timekeeper is also authorized to sign the timesheet submitted by the employee if the employee inadvertently forgets to sign the timesheet.</p> <p>We also observed that the Office of Pay and Retirement (OPR) is the primary source of contact for all payroll related questions. However, agency timekeepers report to their respective agency Chief Financial Officer, rather than OPR.</p>
Recommendation	<p>We believe that OPR must be given the accountability and responsibility over the entire payroll process. Under the current process, OPR is held accountable for payroll processing performance; however, it has no ability to control or influence that process because the agency timekeepers, who perform the vast majority of the process, do not report directly to OPR.</p> <p><i>We further recommend that OCFO evaluate the routine process of allowing agency timekeepers the ability to sign off on employee timesheets. All District employees must be held responsible for the complete and accurate accounting of all the time they worked during a reporting period. Failing to hold employees responsible for signing their own timesheets weakens internal controls over payroll processing and should be discontinued. Reasonable exceptions to the policy, covering extended leaves of absence, for instance, could be established, but the general policy should be that any unsigned timesheet will be processed and returned for signature, but the next pay period timesheet will not be processed until the unsigned timesheet is returned signed.</i></p>
Management’s Response	<p><i>Timekeeping in the District of Columbia Government is assigned to varied employee types (i.e. administrative assistants, firefighters, principals, clerks, etc.). The agency for which the employee works is responsible for maintaining official records that document the employee’s time and attendance and the supervisor’s certification of its accuracy.</i></p> <p><i>OPR acts as a payroll processing center for the city and should not have responsibility for meeting its fiduciary requirements and those of agency directors and CFOs, who ultimately are responsible for maintaining the reigns on agency personal services costs.</i></p>
Process	Disability Compensation
Title	Identification and Assessment of Quality of Disability Compensation Data
Observation	<p>The Department of Employment Service’s (DOES) disability compensation program pays approximately \$25 million annually to District employees injured on the job. The District has historically outsourced the claims administration and management processes to third parties. We observed that the contracts between DOES and the third parties do not require the vendor to provide DOES with performance data such as:</p> <ul style="list-style-type: none"> • time elapsed from claim notification to claim adjudication • # of claims per month by department/agency • classification of claims incurred by department/agency • cumulative amount of claims incurred by claimant • cumulative amount of claims incurred by department/agency

<p>Observation (continued)</p>	<p>We further understand that DOES is in the process of contracting for a new claims manager for the disability compensation program.</p>
<p>Recommendation</p>	<p>We recommend that DOES identify the data that it needs to manage its business and require that the data be provided by its vendor monthly. Timely receipt of this information is critical to the identification of risk management trends and remediation of the conditions leading to those claims. Further, this information could be used to charge costs back to the departments and agencies for which the claimants work. Such charge backs could provide incentives to institute measures to control these costs. We strongly encourage the District to consider such cost allocation.</p> <p>We also recommend that the District review the claims data to be provided to the new claims administrator from the old claims administrator. It is essential that the new claims administrator is provided with “clean” data so that they can effectively manage the claims.</p> <p>The transition to a new claims administrator provides the District with a unique opportunity to review the historical data retained by its current claims administrator. Because the District must ensure that the claims data is transferred properly, the District will have access to the claims data files in accordance with its contract. The District should use this opportunity to review 100% of the data processed by the claims administrator in order to gather historical data it needs to make comparisons from year to year as well as to benchmark itself against industry standards.</p>
<p>Management’s Response</p>	<p><i>The Labor Standards Bureau, Department of Employment Services (DOES) agrees with the recommendations. However, the fact that only one professional staff is assigned to the program gives clear evidence of the inability to proceed in this area. Additionally, funding will have to be allocated to support this effort.</i></p>

Process	Fixed Asset Management
Title	Update Fixed Asset Inventory
Observation	<p>The District engaged a third party to perform a fixed asset inventory of its personal property assets at the end of fiscal year 1997. We observed that many of the agencies that were selected for the personal property assets inventory in 1997 did not update their detailed fixed asset records. OFOS is required to identify any differences between the agency records and their detailed records and post any required adjusting entries.</p> <p>This fixed asset inventory did not focus on land, land improvements, buildings, or building improvements. Collectively, these assets comprise over 90% of the costs accumulated in the District's general fixed asset account group.</p>
Recommendation	<p>We recommend that the District update its personal property fixed asset inventory through the performance of a District-wide inventory. We believe that a comprehensive physical inventory of all personal property assets should be performed at least every three years. We further recommend that the District establish a policy requiring agencies to conduct a cycle count of these assets, counting a portion of the assets annually to achieve a full inventory over three years. The District could also include in this policy that certain agencies, or certain types of personal property assets, be counted more frequently, based on management's assessment of the risk of obsolescence or theft of those assets, or federal grant requirements related to such assets.</p> <p>We also recommend the District consider performing a comprehensive physical inventory of all other fixed assets. Various District agencies, such as the Office of the Assessor, Office of Property Management, and OFOS, maintain information about District owned land and buildings. The records maintained by OFOS are used to prepare the CAFR; however, these records are not reconciled to either the Assessor's Office or OPM. The fixed asset inventory would allow all three offices to assure District management that up to date information is being maintained.</p>
Management's Response	<p><i>The Enterprise Office is in concurrence with the audit team's findings. Implementation of the Fixed Assets Module in SOAR is already in progress for this fiscal year. The examination and reconciliation of fixed assets, referenced in the general financial management observations and the Fixed Assets Management process in particular, will be addressed in the course of identifying both the current and historical data which will be loaded into this system.</i></p> <p><i>A comprehensive inventory of land, buildings, and related improvements is included in the procurement assistance for GASB 34 implementation. In the course of these activities, OFOS is re-examining the policies and practices regarding the appropriate methods and frequency of subsequent periodic inventories and related reconciliations with records held by other District agencies.</i></p>

Process	Information Technology Management
Title	Improve Project Planning and Project Management Policies
Observation	<p>The Enterprise Office was established in April 2000 to establish control over many of the significant District-wide information technology projects. The Enterprise Office took over responsibility for managing and controlling the ongoing development and implementation of SOAR, as well as other key technology projects like the district-wide payroll system (CAPPS/Upps) reconciliation and implementation. Despite the multitude of accomplishments by the Enterprise Office, many prior year findings identified by auditors and other consultants remain open. The primary explanations provided by the Enterprise Office include changing budgetary priorities (for the Fixed Assets and Inventory system) and changing user/system requirements (for the Performance Budgeting and Performance Executive systems).</p> <p>District-wide standards addressing project justification, budgeting, requirements definition, tracking, reporting and other planning and management standards have not been developed and consistently enforced by the District. Without the development and consistent enforcement of District-wide project planning and management standards for key Information System (IS) projects, the District is vulnerable to significant risk of failure for mission critical IS initiatives.</p>
Recommendation	<p>We recommend District-wide project management standards be developed, documented, and distributed for implementation on all mission critical, high risk, and large budget IS projects. Included in these standards should be a clear definition of each of the above criteria (e.g., "large budget projects" are defined as those with an estimated budget of \$1 million or more.</p> <p>The standards should address all aspects of IS project management including (but not limited to) the following:</p> <ul style="list-style-type: none"> • Project objective and scope • Cost benefit analysis and justification • Procurement practices and vendor management • Task and deliverable definition • Project organization and skill sets • Reporting and communications • Automated project management tools <p>Compliance with these standards should be independently verified by a third party, such as the OIG, as of key project milestones (e.g., at project start, after 25% and 75% of budget expenditure, and upon completion.)</p>
Management's Response	<p><i>The Enterprise Office is in concurrence in general terms with the audit team's findings.</i></p> <p><i>Project management is the application of knowledge, skills, tools, and techniques to project activities in order to meet or exceed stakeholder needs and expectations from a project. Meeting or exceeding stakeholder needs and expectations invariably involves balancing competing demands among:</i></p> <ul style="list-style-type: none"> • <i>Scope, time, cost, and quality;</i> • <i>Stakeholders with differing needs and expectations; and</i>

<p>Management's Response (Continued)</p>	<ul style="list-style-type: none"> • <i>Identified requirements (needs) and unidentified requirements (expectations).</i> <p><i>The Enterprise Office, utilizes the Project Management Institute's (PMI's) documented Project Management Body of Knowledge (PMBOK), an international standard, to map and closely follow all project management processes.</i></p> <p><i>The Enterprise Office is a dedicated program management organization with authority and responsibility only within the Office of the Chief Financial Officer. The written observation however implies that that the Enterprise Office has authority and responsibility "...District-wide." This is not the case. Documented project management processes within the Enterprise Office are in place and are being followed with required diligence. The Enterprise Office, however, concurs with comment to the auditing team's recommendation that "...District-wide project management standards be developed, documented, and distributed for implementation on all mission critical, high risk, and large budget IS projects." The recommendation - standards and policies - is half of the remediation equation. The other required half is the availability and utilization of trained and qualified project management office (PMO) personnel to initiate, plan, execute, monitor, and control ALL District projects.</i></p>
-------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Process	Budget Management
Title	<i>Improve Budgetary Record Keeping</i>
Observation	<p>The Office of Budget and Planning (OBP) currently uses a manual system of spreadsheets to prepare the budgetary information prepared in the financial reporting packages. We observed that the District does not reconcile the manually prepared budget tracking reports to SOAR, and SOAR budget balances the primary source of budgetary information used by agency personnel as a control to prevent budget deficits from occurring. We also observed there were significant differences between the tracking reports and SOAR.</p> <p>We further observed that as new grants (grants not budgeted in the current year) are obtained by District agencies, the requested budgetary revisions associated with those grants do not include information on the required District matching funds (if any) and how that match will be funded.</p>
Recommendation	<p>We recommend the OBP reconcile its manually prepared tracking reports to SOAR on a monthly basis. This will ensure that agency personnel are using the most current budgetary information with which to track budgetary performance.</p> <p>We further recommend the District require agencies to include in their request to increase federal or private grant awards budgets, a corresponding local funds budgetary revision to document how any matching requirements will be met. This information should also be maintained in SOAR to facilitate review of how the District is maximizing available federal revenue and whether such revenue remains unspent due to the inability of the District to identify local matching funds.</p>
Management's Response	<p><i>The Office of the Chief Financial Officer, Office of Budget and Planning (OBP) concur with the recommendation that manual tracking reports be reconciled with the SOAR system on a monthly basis. This only pertains to Local and Intra-District Funding for OBP. The Office of Research and Analysis currently maintains Federal, Private and Other funds. With their guidance, we will work with ORA to make sure that Local matching funds are identified and allocated properly according to any new Grant award matching requirements.</i></p>

Process	Cash Management
Title	<i>Enhance Investment Management Committee Function</i>
Observation	The District's Investment Policy states that the District must implement an Investment Committee consisting of the Treasurer and Deputy CFO; Associate Treasurer of the Cash Management Unit; and a representative from the OCFO. The Investment Committee is required to meet at least once every calendar quarter to review the investment activity and status of the investments. Also, once a year, the Cash and Investment Manager and the Investment Officer will meet with the District's outside auditors to review accounting controls and to design adequate audit procedures to identify any instances of noncompliance with District Investment Policy. The policy also states that records of all investment transactions will be kept monthly and made available to all members of the Investment Committee, and that the Investment Officer will make a report detailing the present status of District investments. We also observed that records of the meeting of the Investment Committee are not maintained by the District. It is difficult to assess compliance with the investment policy absent this documentation. We observed that members of the committee represented to us that they did meet throughout the year. We further observed that the annual meeting with the external auditors did not occur in accordance with the policy.
Recommendation	We recommend that the District require that a permanent record of all Investment Committee meetings be maintained. This will allow the District to demonstrate compliance with that aspect of the investment policy, and memorialize actions planned or taken by the Committee for future reference. We further recommend that a formal meeting schedule be established and followed, and documentation of the meetings be provided to the Investment Committee members and the independent auditors. The District should also strive to formalize the process for providing monthly investment reports to members of the Investment Committee. Additionally, on an annual basis, the Investment Officer should ensure the District's investment managers provide the necessary reports to aid OFOS in compiling market value and credit risk information for disclosure in the CAFR.
Management's Response	<i>The Investment Policy presented to the auditor's was completed in June 2000. The Acting Deputy CFO of OFT approved the Policy in October 2000. During the audit period, OFT continued the practice of investing in Mortgage Back Repurchase Agreements. The policy will be reviewed, and modified where applicable, to reflect the "Best Practices" of state and local governments.</i>

Process	Disbursement Process
Title	<i>Monitor Compliance with Quick Payment Act</i>
Observation	<p>During our review of disbursements made by the District during the year, we observed the following immaterial instances of non-compliance with the Quick Payment Act:</p> <ul style="list-style-type: none"> • Out of 224 vouchers tested, 24 vouchers were not paid within the timeframe prescribed by the Quick Payment Act. In all 24 instances, the District also failed to pay any interest or penalties to the vendor for late payment. • All agencies are required by the Quick Payment Act to submit reports to the Mayor within 60 days of fiscal year-end, detailing the number of violations of the Quick Payment Act and the amount of interest or penalties paid to vendors during the year. We noted that required reports were submitted by the agencies in late January, approximately 45 days beyond the deadline in the Quick Payment Act. Of the reports submitted, only eleven disclosed violations of the Quick Payment Act, which was not consistent with the results of our audit testwork. <p>The Quick Payment Act requires the Mayor’s office to report to Council within 120 days of fiscal year-end the District’s compliance with the Quick Payment Act. This report was submitted after the deadline established by the Quick Payment Act.</p>
Recommendation	<p>We recommend the OCFO enforce existing policies requiring compliance with the Quick Payment Act, and ensure timely submission of required Quick Payment Act certifications by agencies. We further recommend that OCFO develop reports that will track compliance with the Quick Payment Act during the year to identify those agencies that do not appear to be in compliance. OCFO should use this report to monitor compliance, and take corrective action should consistent noncompliance be observed.</p>
Management’s Response	<p><i>The SPT has requested that the Vendor Center continue its earlier efforts to work with the SOAR PMO to create an automated payables report for the Vendor Center to track compliance with the Quick Payment Act.</i></p>

Process	Grants Management
Title	Timely Recording of Grant Overpayment Balances
Observation	<p>The Department of Human Development (DHD) does not maintain a receivable balance in SOAR for all electronic benefits transfer (EBT) overpayments made under the Food Stamps or Temporary Assistance for Needy Families (TANF) programs. As of September 30, 2000, Food Stamps had a receivable balance of approximately \$5.7 million and TANF had a receivable balance of approximately \$17 million in ACEDS. Since the majority of the receivable balance for the TANF overpayments is not collectible and the amount collected for Food Stamps was minimal, an allowance for doubtful accounts should be recorded in SOAR for the receivable balances.</p> <p>Neither the receivable balance nor the related allowance for doubtful accounts were recorded in SOAR at September 30, 2000.</p>
Recommendation	We recommend that all overpayment of grant awards that District agencies are attempting to collect, be recorded in SOAR. Recording all such receivables in SOAR will allow OCFO personnel to assess the collection efforts on such receivables. It will also allow agency personnel to reconcile amounts recorded in ACEDS timely.
Management's Response	<i>The Department of Human Services (DHS) concurs with the finding as outlined by the Auditors. However, the overpayments are not grant overpayments but rather overpayments to clients for food stamps and cash assistance benefits. In the case of cash assistance, the overpayments could be a combination of local and federal funds. During the FY 2000 audit, an entry was made to record the receivable balance identified in Automated Client Eligibility and Determination System (ACEDS) into the District's accounting system (SOAR). An allowance for doubtful account was also recorded relative to this receivable balance. Effective with FY 2001 interim close, DHS will record an adjusting entry to properly reflect the receivable balance and the allowance for doubtful account for overpayments recorded in ACEDS for client overpayments.</i>

Process	Grants Management
Title	<i>Maintain Records of Recertifications Within ACEDS</i>
Observation	The Income Maintenance Administration Policy Manual indicates that all case records must contain the most recent application and recertification forms for each program participants, and related documents to support eligibility determination. We observed that such information generally is not maintained in the participants' hard copy eligibility file. We also observed that such documentation is not consistently recorded within ACEDS. Absent such documentation, the District cannot demonstrate that it has properly recertified eligible participants.
Recommendation	We recommend that the District document all recertifications either in the hard copy eligibility file or within the ACEDS system. This will allow the District to demonstrate it has properly determined the eligibility of program participants in compliance with grant requirements and its policy manual.
Management's Response	<i>Effective FY 1999, the Income Maintenance Administration (IMA) designed corrective action plans (CAPS) which focused on the importance of obtaining and maintaining documentation required to support all case actions and eligibility determinations. As a result of the FY 2000 audit, a written reminder was forwarded to all center managers stressing the importance of proper procedures for filing documents and annotating case records. During FY 2000, IMA operated with a deficit of 100 caseworkers. Caseworkers carried an average caseload of 350 cases, which is significantly above the target caseload of 250 cases. In addition, IMA was in the process of consolidating service centers, which required the physical transfer of over 8,000 cases among three service centers. Finally, it should be noted that while Medical Assistance recertification documents should be filed in the case record, not all such recertifications should be registered in ACEDS; only complete recertifications should be registered in ACEDS. This allows ACEDS to issue a termination notice to the recipient for failure to file a complete Medical Assistance recertification.</i>