

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS

**MANAGEMENT LETTER BASED ON A
FINANCIAL STATEMENT AUDIT OF THE
PROFESSIONAL ENGINEERS' FUND**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2003**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



July 20, 2005

Patrick J. Canavan, Psy.D.
Director
Department of Consumer and Regulatory Affairs
941 North Capitol Street, N.E., Suite 9500
Washington, D.C. 20002

Eugene M. Bentley, III, Ph.D.
Chairman of the Board of Directors
District of Columbia, Board of Professional Engineers
941 North Capitol Street, N.E., Suite 7200
Washington, D.C. 20002

Natwar M. Gandhi, Ph.D.
Chief Financial Officer
Office of the Chief Financial Officer
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Room 209
Washington, D.C. 20004

Dear Dr. Canavan, Dr. Bentley, and Dr. Gandhi:

Enclosed is our final management letter (OIG No. 04-1-15CR(a)) for the Professional Engineers' Fund (Fund) for the fiscal year ended September 30, 2003. The District's Department of Consumer and Regulatory Affairs (DCRA) administers the Fund. This management letter does not modify our opinion as expressed in the audit report dated October 22, 2004, on the Fund's financial statements as of September 30, 2003.

As a result of our audit, we directed seven recommendations to the Office of the Chief Financial Officer (OCFO) and DCRA for necessary action to correct the noted deficiencies.

On May 25, 2005, the OCFO provided a written response to the recommendations made in our draft management letter. In general, management concurred with the report; however, OCFO officials did not concur with recommendation number seven. The OCFO maintains the Professional Engineers' Fund (PEF) legislation does not specify that interest earnings be allocated to the PEF.

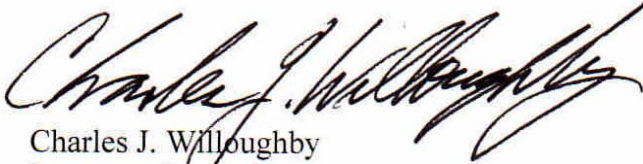
On June 9, 2005, DCRA provided a written response to the recommendations made in our draft management letter. In general, management concurred with the report. In regard to recommendation number seven, DCRA will request legislation enabling the PEF to earn interest.

On June 22, 2005, the D.C. Board of Professional Engineers provided a written response to recommendation number seven. The Board concurred with our recommendation that the OCFO should allocate interest to the PEF, according to PEF balances.

Action which the DCRA intends to take, by requesting legislative changes to specifically state that the PEF should earn interest, addresses the OIG's concerns.

We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

CJW/jc

Enclosure

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Dr. Canavan, Dr. Bentley, and Dr. Gandhi
Professional Engineers' Fund Management Letter (Final)
July 20, 2005
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Ms. Kate Eltrich, Clerk, Senate Subcommittee on D.C. Appropriations (1 copy)
The Honorable Susan M. Collins, Chair, Senate Committee on Governmental Affairs
Attention: Johanna Hardy (1 copy)
The Honorable Joseph Lieberman, Ranking Minority Member, Senate Committee on
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**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
MANAGEMENT LETTER BASED ON A FINANCIAL STATEMENT
AUDIT OF THE PROFESSIONAL ENGINEERS' FUND FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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INTRODUCTION AND OVERVIEW

INTRODUCTION

Pursuant to D.C. Code § 47-2886.13(d) (2001), the Office of the Inspector General (OIG) audited the financial statements of the District of Columbia's Professional Engineers' Fund (Fund) for the fiscal year (FY) ended September 30, 2003. The report, "Professional Engineers' Fund Financial Statement Audit" (OIG No. 04-1-15CR) was issued October 22, 2004.

The District of Columbia Professional Engineers' Registration Act of 1950 established the Fund, which is administered by the Department of Consumer and Regulatory Affairs (DCRA). The Fund was established as a separate fund to receive and account for the collection of application, registration, and fees associated with professional engineers and engineers-in-training. Expenditures from the Fund may be used toward expenses that the District of Columbia Board of Professional Engineers (Board) determines to be necessary and proper.

The Mayor of the District of Columbia appoints the Fund's seven-member board. The Board has the responsibility of regulating the practice of engineering and land surveying; and provides for the licensure of qualified persons as professional engineers and land surveyors and for the certification of engineering interns and land surveyor interns. It has the additional responsibilities of safeguarding life, health, and property as well as promoting the public welfare, the practice of engineering, and the practice of land surveying in the District of Columbia. The Board is thereby required to regulate in the public interest.

OVERVIEW

In accordance with generally accepted government auditing standards, we performed a review of existing internal controls and laws and regulations to determine the extent of our auditing procedures. The review was not intended to be an exhaustive study of internal controls over financial reporting for the purpose of making detailed recommendations and would not have necessarily disclosed all weaknesses in the system. Additionally, we performed limited compliance tests to ensure that the Fund was administered in accordance with applicable laws and regulations.

INTRODUCTION AND OVERVIEW

SUMMARY OF RECOMMENDATIONS

Our report contained seven recommendations directed to the Director of DCRA and the Chief Financial Officer, Office of the Chief Financial Officer. The recommendations, in part, center on:

- Establishing written policies and procedures to reconcile client waiver transactions and the receipt of cash from applicants for professional licensing.
- Improving controls and procedures related to recording cash receipts and deposits to the D.C. Treasury.
- Accruing interest income on the Fund's balance in the District's pooled cash account.

MANAGEMENT RESPONSE AND OIG COMMENTS

On May 25, 2005, the OCFO provided a written response to the recommendations made in our draft management letter. In general, management concurred with the report; however, OCFO officials did not concur with recommendation number 7. The OCFO maintains the Professional Engineers' Fund (PEF) legislation does not specify that interest earnings be allocated to the PEF and that future earnings continue to accrue to the District's general fund. Despite the fact the PEF legislation does not have specific language for interest allocations, we ask the OCFO to reconsider its position regarding PEF interest earnings, pending DCRA action on this recommendation. The complete text of the OCFO response is included at Exhibit C.

On June 9, 2005, DCRA provided a written response to the recommendations made in our draft management letter. In general, management concurred with the report; however, regarding recommendation number 7, DCRA noted that interest earnings would be allocated when required by the funds' enabling legislation. While the PEF legislation is mute regarding interest allocations, DCRA will proceed with the request on the behalf of the District of Columbia Board of Professional Engineers. The complete text of the DCRA response is included at Exhibit D.

INTRODUCTION AND OVERVIEW

On June 22, 2005, the D.C. Board of Professional Engineers provided a written response to recommendation number 7. The Board concurred with our recommendation that the OCFO should allocate interest, according to funds on deposit for the PEF fund. The complete text of the Board's response is included at Exhibit E.

We believe the actions taken and planned by the OCFO, DCRA, and the D.C. Board of Professional Engineers to be fully responsive to our recommendations.

FINDINGS AND RECOMMENDATIONS

FINDING 1: TRACKING AND REPORTING CLIENT WAIVERS

SYNOPSIS

DCRA did not have a uniform database in order to properly account for and track client waiver transactions, and had not performed monthly reconciliations on client waiver balances as logged by DCRA, reported by the contractor, and recorded in the System of Accounting and Reporting (SOAR). We identified that for one month, amounts reported for client waivers by DCRA officials and those reported on DCRA financial statement records by the contractor differed by more than \$10,000. These discrepancies existed because DCRA did not have adequate internal controls in place to properly process, summarize, report, and authorize client waivers. As a result of these conditions, financial records were not supported and were, therefore, unreliable.

DISCUSSION

DCRA uses a contractor to process applications and fees for professional engineer licenses and other professional/occupational licenses. Applicants generally submit their applications along with the appropriate fees directly to the contractor. According to DCRA officials, client waivers result when: 1) applicants send applications and fees directly to DCRA with checks payable to the D.C. Treasurer; 2) fees are increased and the increase is waived for applications already being processed; and 3) fees are waived by city or program officials for applicants.

The Client Waiver Process

DCRA's Office of Professional Licensing Administration (OPLA) completes a client waiver form when new license applications are submitted directly to DCRA with checks payable to the D.C. Treasurer. OPLA sends an application package, along with the client waiver form, to the contractor.¹ OPLA retains a copy of the client waiver form. For each client waiver application it processes, the contractor is allowed to deduct a commission fee from funds that would otherwise be remitted to the D.C. Treasurer.

DCRA must timely and accurately report client waiver data to the contractor because the contractor reports client waiver activity on the monthly financial statement it provides to DCRA. Client waiver amounts tracked by DCRA, reported to the contractor, and subsequently recorded in SOAR should agree given that: 1) client waivers originate with DCRA; 2) DCRA deposits client waiver fees with the D.C. Treasury; and 3) DCRA provides the contractor with client waiver data.

¹ Although DCRA completes client waiver forms to send to the contractor along with the application packet, the fee has not been "waived;" rather, the waiver form indicates to the contractor that the fee has been paid to DCRA.

FINDINGS AND RECOMMENDATIONS

DCRA's tracking of client waivers is an integral part of the application process because the contractor has no knowledge of client waivers other than what is provided by DCRA. Also, the contractor has no authority to "waive" fees on its own accord.

Our audit found that two DCRA staff members who tracked client waivers used different software packages. We attempted to reconcile data reported by each employee and to perform other audit tests to determine the accuracy of the information in these databases; however, significant differences were identified and our reconciliation efforts were unsuccessful.

Additionally, we were unable to verify the client waiver balance as of September 30, 2003. We analyzed the contractor's monthly reports for FY 2003, reviewed client waiver documentation provided by DCRA, and analyzed the client waiver data in SOAR. For example, for the month of April 2003, DCRA provided us with conflicting financial information pertaining to client waivers. The service provider detailed on its financial statements that the client waiver balance was \$11,701; DCRA officials provided us with client waiver documentation totaling \$17,515; and the amount recorded in SOAR for April 2003 was \$7,050. We believe that if DCRA had a uniform database to properly account for and track client waiver transactions and had performed monthly reconciliations on client waiver balances as logged by DCRA, reported by the contractor, and recorded in SOAR, these three sources of information would have been consistent and the amounts reported in DCRA's financial statements would be accurate and supported.

RECOMMENDATIONS

We recommend that the Director of DCRA:

1. Establish a uniform database to properly account for and track client waiver transactions for professional engineering license applicants.
2. Establish written procedures for performing monthly reconciliations on client waiver balances as logged by DCRA, reported by the contractor, and recorded in SOAR.

FINDINGS AND RECOMMENDATIONS

DCRA/OCFO RESPONSES (RECOMMENDATIONS 1-2)

Both the Director, DCRA and the Associate Chief Financial Officer, OCFO concurred with the recommendations. DCRA will take action to implement a uniform database to track client waivers. OCFO will be available for assistance in the implementation.

OIG COMMENT

We consider actions taken and planned by OCFO to be fully responsive to our recommendations.

FINDINGS AND RECOMMENDATIONS

FINDING 2: INTERNAL CONTROLS OVER REVENUES

SYNOPSIS

DCRA did not have adequate internal controls over license revenues generated by the service provider/contractor who processes professional occupational licenses. There were also inadequate controls over license fees received directly by DCRA from applicants. As a result, DCRA staff did not: 1) ensure that the contractor's monthly wire transfers were timely executed; 2) make the necessary accounting entries to record the receipt of funds for the Professional Engineers' Fund (PEF), and was unable to provide documentation to support some accounting entries made to PEF accounts; and 3) consistently deposit fees promptly and timely in accordance with District of Columbia financial policies. The lack of written procedures, inadequate contract specifications, and the failure to monitor the service provider contributed to these conditions.

DISCUSSION

The contractor, who processes license applications for DCRA's 12 professional boards, transfers license revenue by wire to the District of Columbia on a monthly basis. Once the wire transfer is executed by the contractor, DCRA should: (1) ensure that the funds have been received by the D.C. Treasurer's Office; (2) allocate revenue among the 12 licensing boards; and (3) journalize the transactions in SOAR. However, DCRA did not have adequate controls in place to monitor whether or not the monthly wire transfer was received from the service provider. DCRA's service provider had no deadlines by which to transmit the wire transfers, and DCRA relied heavily on the service provider to transmit wires on its own time schedule.

We analyzed the wire transfers for FY 2003 and noted that DCRA would receive wire transfers for the previous month weeks after the beginning of the next month. In the most egregious case, DCRA did not receive revenue totaling \$56,560 (with \$4,010 allocated to the PEF) for November 2002 until January 17, 2003. DCRA did not inquire of their service provider as to the reason for the delay in receiving revenues, nor had DCRA established a monthly deadline (e.g., 10th or 15th of the month) by which the contractor should have wired the receipts from the previous month. The contract simply stated that, "fees collected . . . will be remitted to [the] Government of the District of Columbia on a monthly basis." The contract also did not have a provision for the District to charge a penalty or interest if fees are not remitted timely.

FINDINGS AND RECOMMENDATIONS

The following table displays the number of days lapsed from contractor recognition of revenue for completed applications, until funds were wired to the D.C. Treasury, for selected dates during the audit period:

SELECTED WIRE TRANSFER DATES

Month/Year	Wire Date	Lapsed Days	PEF Funds	All Boards
Nov. 2002	1/17/03	48	\$4,010	\$56,560
Mar. 2003	5/09/03	33	\$3,082	\$123,525
Apr. 2003	6/11/03	42	\$2,692	\$65,142
Jun. 2003	7/27/03	27	No Entry	\$66,712

In addition, DCRA did not always make timely journal entries to record the receipt of revenues for the PEF. During FY 2003, DCRA did not make timely entries to record revenues for the months of January, February, June, July, August, and September 2003. As a result, the FY 2003 revenue balances (between the service provider and SOAR) differed.

Using the service provider’s monthly financial reports for FY 2003, we noted the amount of revenue for FY 2003 was \$103,737. Analyzing DCRA’s Executive Information Systems (EIS) report, we noted that FY 2003 revenues were \$133,589, a difference of \$29,852. DCRA was unable to explain the noted discrepancies.

DCRA was not always able to provide us with adequate supporting documentation concerning the receipt of revenues and associated journal entries for the PEF fund. On several occasions, we requested DCRA to provide us with supporting documentation for FY 2003 revenues and were told the information could not be located. However, DCRA made adjusting journal entries to correct SOAR balances for FY 2003 to amounts determined by the OIG audit.

In addition, during the audit period, DCRA did not always timely deposit application fees received directly by DCRA from applicants (i.e., client waiver fees). DCRA provided us with copies of deposit slips for monies they received as application fees, and we noted in one instance, that DCRA received \$980 in application fees (client waivers), which were not deposited with the D.C. Treasury until 2 business days after the receipt of funds. According to the District of Columbia Office of the Chief Financial Officer (OCFO) Financial Policies and Procedures Manual (FPPM), because there is a relatively high risk associated with cash transactions, a strong system of internal controls is required. Section 1010.300A of the OCFO FPPM, states that “[a]ll cash receipts must be promptly recorded and controlled.” Section 1010.300C provides that “[c]ash received must be deposited with the Office of Finance and Treasury (OFT), intact and on a timely (daily) basis.” In addition, section 1010.300N states that “[w]ritten procedures on all cashing and cash controls must be

FINDINGS AND RECOMMENDATIONS

maintained by each agency.” DCRA, however, did not have written procedures in effect for properly safeguarding and depositing cash receipts from application fees.

We also noted that the funds were not coded to the PEF account when originally recorded. Instead, these funds were deposited into the OPLA Fund 6010. DCRA officials were not aware of the untimely deposits until our audit.

RECOMMENDATIONS

We recommend that the Chief Financial Officer, Office of the Chief Financial Officer:

3. Implement improved controls and procedures for timely and accurate recording of PEF cash receipts and deposits to the D.C. Treasury.

We recommend that the Director of DCRA:

4. Establish written procedures for DCRA staff to monitor monthly financial activity from the service provider.
5. Request that the Office of Contracting and Procurement seek to modify the current contract for professional occupational licensing by: a) requiring the contractor to remit funds by a specific date each month and by providing for penalty and interest charges if remittances are late; and b) ensuring that all future contracts include a specific payment date, as well as a penalty and interest provision for late payments.
6. Establish a policy to require staff to make timely deposits of all cash receipts in accordance with the OCFO Financial Policies and Procedures Manual.

DCRA/OCFO RESPONSE (RECOMMENDATIONS 3-6)

Both the OCFO and DCRA responded to the recommendations. The OCFO has disseminated a cash policy directive to DCRA staff regarding the handling of cash. DCRA has implemented procedures to monitor the monthly financial activity of the contractor. The current service provider’s contract requires revenue to be remitted by a certain date.

OIG COMMENT

We consider actions taken and planned by OCFO to be fully responsive to our recommendations.

FINDINGS AND RECOMMENDATIONS

FINDING 3: ACCRUING INTEREST ON THE DISTRICT'S POOLED CASH ACCOUNT

SYNOPSIS

The PEF cash balance as of September 30, 2003, was \$433,785. Although PEF cash is pooled in the cash/investment accounts maintained by the District of Columbia, the District does not allocate interest to the PEF. If the Board maintained the PEF as a separate bank account, the PEF could earn interest revenue. For example, interest income calculated at 1 percent of a \$400,000 PEF cash balance would result in \$4,000 earned.

DISCUSSION

Revenue from licenses issued by DCRA is deposited in cash/investment pooled accounts maintained by the OCFO. The District of Columbia invests cash which is not needed for immediate disbursement and earns interest on the investments, including PEF deposits. Accordingly, earned interest should be allocated proportionately to the PEF. The Administrator for the OPLA concurred with our view when commenting that the PEF should be earning interest on funds deposited with the District government.

RECOMMENDATION

We recommend that the Director of DCRA:

7. Request that the Chief Financial Officer, OCFO, allocate interest to the PEF according to funds on deposit with the District government.

OCFO RESPONSE (RECOMMENDATION 7)

The OCFO respectfully disagreed with the third recommendation that it allocate interest earnings from the District's pooled cash account to the PEF. They offered, as a general rule the OCFO only allocates pooled cash interest earnings to special purpose revenue funds when required to do so by the fund's enabling legislation. Since the PEF enabling legislation does not specify that interest earnings be allocated to the PEF, the OCFO will not allocate pooled cash interest earnings to the PEF.

FINDINGS AND RECOMMENDATIONS

DCRA/BOARD OF PROFESSIONAL ENGINEERS RESPONSES (RECOMMENDATION 7)

The Director, DCRA and the Chairman, D.C. Board of Professional Engineers concurred with the recommendation. DCRA plans to seek enabling legislation to require that interest be earned by the PEF.

OIG COMMENTS

The OCFO stated that it does not generally prorate interest earnings to funds unless the enabling legislation so states. Therefore, DCRA intends to take steps to formally request changes to the legislation affecting the Professional Engineers' Fund to permit interest to accrue on funds deposited in the general fund. The actions planned by DCRA, on behalf of the Board of Professional Engineers, fully address our recommendation.

EXHIBIT A

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation	Description of Benefit	Amount and Type of Benefit	Status²
1	Management and Internal Controls. Establishes uniform tracking database for Client Waivers.	Non-Monetary	OPEN
2	Management and Internal Controls. Establishes procedures for monthly reconciliations.	Non-Monetary	OPEN
3	Internal Controls. Implements improved procedures for cash receipts and deposits.	Non-Monetary	CLOSED
4	Management and Internal Controls. Improves oversight of current service provider.	Non-Monetary	CLOSED
5	Management Controls. Ensures timely remission of funds to DCRA from the contractor.	Non-Monetary	CLOSED
6	Internal Controls. Ensures timely deposits into the D.C. Treasury.	Monetary Safeguarding of Assets	CLOSED
7	Management of Funds. Ensures allocation of appropriate interest to the PEF.	Interest Income \$8,000/yr (approx)	OPEN

² This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG agree on the action to be taken, but it is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. “Unresolved” means that management has neither agreed to take the recommendation action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B

STATUS OF PRIOR YEARS' REPORTABLE CONDITIONS

Description of Findings From 2000	Finding Present During Audit for Fiscal Year Ended:				Resolved Yes/No
	9/30/03	9/30/02	9/30/01	9/30/00	
Board did not publish a roster of professional engineers as required	No	Yes	Yes	Yes	Yes
The Board's annual report to the Mayor was incomplete	No	Yes	N/A	Yes	Yes
Balances and transactions comprising the PEF are not reflected in the District's accounting system (SOAR)	No	Yes	Yes	Yes	Yes

EXHIBIT C

OCFO RESPONSE TO DRAFT MANAGEMENT LETTER

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Henry W. Mosley
Associate Chief Financial Officer
Economic Development and Regulation

May 25, 2005

Mr. Austin A. Andersen
Interim Inspector General
Government of the District of Columbia
717 14th Street NW, Fifth Floor
Washington, DC 20005

**Subject: Response to Professional Engineer's Fund Management Letter
(OIG No. 04-1-15CR(a))**

Dear Mr. Andersen:

Thank you for the opportunity to respond to the Office of Inspector General's management letter for the Department of Consumer and Regulatory Affairs (DCRA) Professional Engineers' Fund (PEF) for the fiscal year ended September 30, 2003. The Office of the Chief Financial Officer (OCFO) welcomes the findings of the audit report and concurs with many of the recommendations contained in the management letter. With regard to specific recommendations, the OCFO has the following responses:

The OCFO concurs with the first recommendation that the Director of DCRA should establish a uniform database to properly track client waivers and establish written policies and procedures to reconcile client waiver transactions with those reported by the contractor and reported in SOAR. Agency OCFO staff is available to assist DCRA with the implementation of these efforts.

The OCFO also concurs with the second recommendation that: 1) OCFO staff should strengthen controls and procedures for timely and accurately recording receipts; and 2) the Director of DCRA should establish written procedures for DCRA staff to monitor monthly financial activity with the service provider, modify the current contract with the provider to remit funds by a specific date each month and establish a policy to require DCRA staff to make timely deposits of all receipts. In fact, significant progress has already been made in these areas. A new contract now in effect requires the vendor to transfer revenues and provide monthly activity reports within 10 to 15 days after the end of each month, a timeframe that will allow the OCFO to record revenues, commission expenses and other transactions in the proper accounting period. Furthermore, the Director and Agency Fiscal Officer recently issued a formal memorandum to DCRA senior staff reiterating OCFO and agency cash handling policies and procedures.

941 North Capitol Street, N.E., Suite 9600, Washington, DC 20002
Phone: (202) 442-8684 • Fax: (202) 442-9444

EXHIBIT C

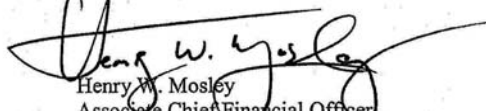
OCFO RESPONSE TO DRAFT MANAGEMENT LETTER

Austin A. Andersen
May 25, 2005
Page 2 of 2

Finally, the OCFO must respectfully disagree with the third recommendation that it allocate interest earnings from the District's pooled cash account to the PEF. As a general rule, the OCFO only allocates pooled cash interest earnings to special purpose revenue funds when required to do so by the fund's enabling legislation. The PEF enabling legislation does not specify that interest earnings be allocated to the PEF. As a result, any interest earnings on deposits accrue to the District's general fund.

We appreciate the effort that went into producing this audit report and the accompanying management letter. If I can be of further assistance, please contact my office at (202) 442-

Sincerely,



Henry W. Mosley
Associate Chief Financial Officer

cc: Natwar M. Gandhi, Chief Financial Officer for the District of Columbia
Patrick J. Canavan, Psy.D., Director, Department of Consumer and Regulatory Affairs
Eugene Bently, Chairman, Board of Professional Engineers
Sebastian Lorigo, Executive Director, Office of Integrity and Oversight
Mohamad Yusuff, Director, Office of Integrity and Oversight

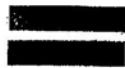
EXHIBIT D

DCRA RESPONSE TO DRAFT MANAGEMENT LETTER

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Consumer and Regulatory Affairs



Office of the Director



Mr. Austin A. Andersen
Interim Inspector General
Government of the District of Columbia
717 14th Street, NW, Fifth Floor
Washington, DC 20005

**Subject: Response to Professional Engineer's Fund
Letter (OIG No. 04-1-15CR(a))**

Dear Mr. Andersen:

The D.C. Department of Consumer and Regulatory Affairs' (DCRA) response to the Office of the Inspector General's draft management letter, findings and recommendations 1, 2, 4,5,6,7 for the Professional Engineers' Fund (PEF) are as follows:

- 1. Establish a uniform data base to properly account for and track client waiver Transactions for professional engineering license applicants.**

DCRA concurs and will establish a data base for the purpose of tracking client waiver transactions.

- 2. Establish written procedures for performing monthly reconciliations on client waiver transactions for professional engineering license applicants.**

DCRA concurs and will establish procedures for client waiver transactions.

- 4. Establish written procedures for DCRA staff to monitor monthly financial activity from the service provider.**

DCRA has established a process that monitors the monthly financial activity received from the service provider. This process includes an e-mail to [REDACTED], Application Officer, Occupational and Professional Licensing Division (OPLD), which identifies the date, time, account number and amount of the electronic deposit.

941 North Capitol Street, N.E., Suite 9500, Washington, D.C. 20002
Phone: (202) 442-8947 Fax: (202) 442-9445

EXHIBIT D

DCRA RESPONSE TO DRAFT MANAGEMENT LETTER

-2-

5. **Request that the Office of Contracting and Procurement seek to modify the current contract for professional occupational licensing by a) requiring the contractor to remit funds by a specific date each month and by providing for penalty and interest charges if remittances are late; b) ensuring that all future contracts include a specific payment date, as well as a penalty and interest provision for late payments.**

Significant progress has been made in these areas. A new contract now in effect requires the service provider to transfer revenues not later than the 10th day of each month. If funds are not transferred at the agreed upon time, interest shall be paid on all late transfer of funds. To date, PROMISSOR, DCRA's licensing contractor has made interest payments on all late transactions.

6. **Establish a policy to require staff to make timely deposits of all cash receipts in accordance with the OCFO Financial Policies and Procedures Manual.**

The OCFO recently issued a formal memorandum to DCRA staff reiterating OCFO and agency cash handling policies and procedures. DCRA staff will follow the OCFO directives for cash handling policies and procedures.

7. **Request that the Chief Financial Officer (OCFO), allocate interest to the PEF according to funds on deposit with the District government**

As a general rule, the OCFO only allocates pooled cash interest earnings to special purpose revenue funds or when required to do so by the fund's enabling legislation. While the PEF's enabling legislation does not specify for interest earnings to be allocated, DCRA will proceed with the request on behalf of the D.C. Board of Professional Engineers.

I hope these responses meets with the satisfaction of the Office of the Inspector General. However, should you require additional information or assistance regarding these matters, do not hesitate to contact my office at (202) 442-

Sincerely,



Patrick J. Canavan, Psy.D.
Director

cc: Patricia Grays, Acting Administrator, Business and Professional Licensing Administration
Eugene Bently, Chairman, D.C. Board of Professional Engineers
Natwar M. Gandhi, Chief Financial Officer for the District of Columbia
Sebastian Lorigo, Executive Director, Office of Integrity and Oversight
Mohamad Yusuff, Director, Office of Integrity and Oversight

EXHIBIT E

**BOARD OF PROFESSIONAL ENGINEERS RESPONSE TO DRAFT
MANAGEMENT LETTER**

GOVERNMENT OF THE DISTRICT OF COLUMBIA



05 JUN 23 PM 2:53

BOARD OF PROFESSIONAL ENGINEERS

Dr. Eugene M. Bentley, III, P.E.
Chairman

June 22, 2005

Mr. Howard C. Gibbs, P.E.
Vice Chairman

Mr. Austin A. Andersen
Interim Inspector General
Government of District of Columbia
717 14th Street, NW, Fifth Floor
Washington, DC 20005

Mr. Kenneth A. Davis, P.E.
Secretary/Treasurer

Dr. Norman D. Mills, P.E.
Member

Dear Mr. Andersen:

Mr. Stephen O. Coleman, PLS
Member

This letter is in reference to the March 25, 2005, draft management letter ((OIG No. 04-1-15CR (a)) for the Professional Engineers' Fund for the fiscal year ended September 30, 2003.

Mr. Compton G. Vyfhuis, PLS
Member

The Professional Engineers' Board concurs with the recommendation from the Inspector General Office, that the Office of the Chief Financial Officer (OCFO) should allocate interest to the Professional Engineers' Fund (PEF), according to funds on deposit with the District government.

Mrs. Linda E. Dixon
Board Liaison

Thank You,

A handwritten signature in cursive script that reads "Eugene M. Bentley, III, P.E." with a circled "E" at the end.

Dr. Eugene M. Bentley, III, P.E.
Chairman

cc: Natwar M. Gandhi, Chief Financial Officer for the District of Columbia
Sebastian Lorigo, Executive Director, Office of Integrity and Oversight
Mohamad Yusuff, Director, Office of integrity and Oversight
John Drann, Acting Deputy Director, Mission Support

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