



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

**FISCAL YEAR 2005
AUDIT AND INSPECTION
PLAN**

**AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



August 27, 2004

The Honorable Anthony A. Williams
Mayor
District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., 6th Floor
Washington, D.C. 20004

The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

RE: Office of the Inspector General's Fiscal Year 2005 Audit and Inspection Plan

Dear Mayor Williams and Chairman Cropp:

This letter transmits the Office of the Inspector General's (OIG) *Fiscal Year 2005 Audit and Inspection Plan* (Plan). This Plan has been prepared pursuant to D.C. Code § 2-302.08(a)(3)(I) (2001), which states, in part, that the Inspector General shall "[n]ot later than 30 days before the beginning of each fiscal year . . . and in consultation with the Mayor, the Council, and the Authority, establish an annual plan for audits to be conducted under this paragraph. . . ." For your convenience, as we did last year, we have incorporated our strategy for inspections into the Plan.

The Plan contains audits and inspections that are discretionary, required by law, or identified pursuant to special requests from District leaders, managers, and other stakeholders. Specifically, our Plan provides for conducting reviews that are designed to assess the results of various budgeted programs, which includes the economy and efficiency of actions taken to attain those results.

In formulating the Plan, we identified agencies and programs considered material in terms of service delivery and fiscal impact. Additionally, we considered risk factors, which include the following:

- material internal control weaknesses;
- potential fraud, other criminal acts, or improper practices;
- substantial violations of program directives or poor management practices that could seriously affect program accomplishment;
- major inefficiencies in the use of resources or management of operations; and
- significant program performance issues.

The OIG has and continues to play a role in assisting District management in addressing areas of risk. As such, we have developed five strategic themes that will govern our operations, help us achieve our mandated mission, and further the Mayor's strategic initiatives. These themes are:

- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law

The Plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's fiscal integrity and continued financial strength. To address these risks, the Plan has been designed to concentrate on five themes that take into consideration the legislative triggers that could require the District's return to the operational control of the D.C. Financial Responsibility and Management Assistance Authority. When District leadership and the OIG identify and address such risks early, the likelihood of returning to a control period in the future is minimized. Accordingly, the Plan provides for coverage, within the five themes, of the various events described in D.C. Code § 47-392.09 (2001) that could trigger the return to a "control period." *Id.* Beginning in FY 2005, we will include audit program coverage under an Audit Emphasis Program (AEP). The AEP will focus audit coverage on issues related to Homeland Security and personnel background investigations in every performance audit conducted during the year. At year-end, we will issue a capping report to summarize our findings and observations noted at each agency reviewed. These events are discussed in more detail in the Plan.

The realities of having limited resources and the unknown priorities arising from exigencies throughout the year often determine how many audits or inspections we can ultimately initiate and complete in any fiscal year. Also, many of the audit and inspection areas included transcend a given fiscal year. It is our hope that District managers will use this Plan to help further identify risk areas within their respective agencies so that they may begin to

address issues identified herein, or previously reported, and begin to take actions to improve operational efficiencies before our audit or inspection.

Copies of the enclosed Plan and our published audit and inspection reports are available at <http://OIG.DC.GOV>. If you have questions or desire additional information, contact William J. DiVello, Assistant Inspector General for Audits, or Alvin Wright, Jr., Assistant Inspector General for Inspections and Evaluations, or me at (202) 727-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Austin A. Andersen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Austin A. Andersen
Interim Inspector General

Enclosure

AAA/cf

cc: See Distribution List

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**FISCAL YEAR 2005
AUDIT AND INSPECTION PLAN**

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INTRODUCTION

The Office of the Inspector General (OIG) is pleased to present the Fiscal Year 2005 Audit and Inspection Plan (Plan) for the Government of the District of Columbia. Pursuant to D.C. Code § 2-302.08(a)(3)(I) (2001), the OIG, in consultation with the Mayor and the District of Columbia City Council (Council), is required to establish an audit plan 30 days prior to the commencement of the new fiscal year.

The Plan includes descriptions of mandated audits and discretionary audits and inspections to be conducted in the upcoming fiscal year based on risk assessments of vulnerable programs and issues; input from the District's executive and legislative leadership, agency officials, and other stakeholders; and the requirements of federal law. This year, we have also included audits and inspections ongoing as of September 1, 2004.

In an effort to sharpen the focus of our audits and inspections, the OIG continuously assesses those programs and activities that pose the greatest risk to the District. Statutory mandates govern the conduct of many of our activities; however, the majority of our activities are discretionary. Responsible use of our discretionary powers has become increasingly important as the D.C. Financial Responsibility and Management Assistance Authority suspended its oversight role on September 30, 2001, and District stakeholders have emphasized their continuing commitment to avoid risks that could trigger the re-emergence of budget deficits and management inefficiencies.

The Plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's fiscal integrity and continued financial strength. In assessing these risks, our audit plan has been designed to concentrate on five strategic themes that will govern our operations, help us achieve our mandated mission, and further the Mayor's strategic initiatives. These themes are:

- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law

Our Plan also takes into consideration the legislative triggers that could require the District's return to the operational control of the D.C. Financial Responsibility and Management Assistance Authority. D.C. Code § 47-392.09(A)(2001) states, in part, that a "control period" is initiated upon the occurrence of any of the following events:

- requisitioning by the Mayor of advances from the Treasury of the U.S. under Title VI of the D.C. Revenue Act of 1939;
- failure of the District government to provide sufficient revenue to a debt service reserve fund of the Authority;
- the default by the District government with respect to any loans, bonds, notes, or other form of borrowing;
- the failure of the District government to meet its payroll for any pay period;
- the existence of a cash deficit of the District government at the end of any quarter of the fiscal year;
- the failure of the District government to make required payments to pensions and benefits; or
- the failure of the District government to make required payments to any entity established under an interstate compact to which the District of Columbia is a signatory.

We have undertaken an ambitious Plan, shaped in part by concerns raised by District leadership. Accordingly, our Plan reflects ideas and suggestions from the Mayor's office, Councilmembers, District agency officials, and others. The listing of a particular audit or inspection in this plan does not necessarily mean that problems exist or guarantee that a review will be undertaken. The realities of having limited resources and the unknown priorities arising from exigencies throughout the year often determine what audits or inspections can ultimately be initiated in any fiscal year. Additionally, this plan is designed to address audit areas that transcend a given fiscal year until identified risks facing the District are mitigated.

What follows is a short summary of each audit and inspection, ongoing as of September 1, 2004, or planned for Fiscal Year 2005. They are categorized first by theme and then by issue area within a theme. Issue areas are not mutually exclusive of other themes; however, an audit or inspection is listed under the issue area where the majority of the reviews are intended to focus.

THE AUDIT PROCESS

Fiscal Year 2005 Audit and Inspection Plan

THE AUDIT PROCESS

An established sequence of events occurs for every audit conducted. These steps include the announcement of the audit (engagement letter), entrance conference, fieldwork, exit conference, a resolution process, and audit follow-up. Each step is discussed below.

Engagement Letter

Prior to the start of an audit, we normally send the head of the agency a letter announcing the audit. The letter includes the title of the audit effort and a project number and describes the audit objectives, the scope of the review, and the planned starting date. The letter also explains that we plan to hold an entrance conference to brief the appropriate management officials about the audit. The engagement letter may also advise agencies of our working space requirements, any specific information needs, and other support requirements.

Entrance Conference

At the beginning of each audit, we hold a formal entrance conference with the management officials whose operations are to be audited. It is at this initial meeting that the auditors explain the purpose of the audit, including the audit objectives, the scope of the audit effort, audit methodologies, and audit reporting process. If management has requested the audit, it is an opportune time to discuss management's concerns and possibly adjust or add specific audit objectives to focus on management's specific areas of interest or potential problems. During the conference, we encourage management officials to bring to the attention of the audit team members any concerns, ideas, or special circumstances concerning the matters to be audited.

Fieldwork

Audit fieldwork begins with the survey phase. In the survey phase, we obtain information on a program, activity, or function and perform initial tests in line with our audit objectives to discern any vulnerable areas on which we need to focus our audit efforts. After we complete the survey work, we will determine whether there is sufficient basis for additional audit work. When such a determination is made, we perform the second phase of fieldwork, which is the audit execution phase. Normally, the bulk of the audit work is performed in the audit execution phase, when more extensive reviews of records and documentation are undertaken and detailed tests are performed to determine whether programs and systems are functioning as intended. In this phase, the auditors will begin to develop their findings and recommendations.

Audit fieldwork often requires the cooperation of agency personnel to answer questions; provide access to original records, documentation, and files; and prepare information requested by the auditors. Keeping in mind that agencies need to focus on their normal workload, our auditors make every attempt to limit requests for information to the level necessary to complete the audit.

Keeping Agency Officials Informed

During the course of the audit, we keep management officials advised of any deficiencies and/or weaknesses we identify. Our auditors are instructed to keep agency officials informed of the audit's progress and to be alert to issues that need to be immediately brought to management's attention. Managers of an organization being audited can also expect the following types of formal communications:

Audit Memorandum. As the audit progresses, we may provide the agency head with interim findings (such as a Management Alert Report) or discussion drafts to alert the agency head of matters requiring immediate attention or action and to obtain informal comments regarding the accuracy and completeness of the audit findings.

This early communication serves three purposes:

1. It gives the agency the opportunity to voice concerns and provide additional information.
2. It reduces misunderstandings or inaccuracies.
3. It allows agencies to correct problems as they are identified.

Audit Exit Conference. After all audit work is completed, we conduct an exit conference with agency officials. At the exit conference, we summarize the issues previously brought to management's attention as well as the findings and recommendations we may have developed. This is an opportune time to discuss the corrective actions needed to address any deficiencies. We encourage management to take immediate corrective action, if possible. Substantiated corrective actions taken by management are included in our draft report.

Draft Audit Reports. After considering any comments and concerns raised at the exit conference, we prepare a draft report and send it to agency officials responsible for ensuring implementation of the corrective actions. Usually, we request the agency official to respond in writing to a draft report within 15 business days. The reply should include the actions taken and planned, target dates for any uncompleted actions, and the reasons for any disagreements with the findings or recommendations.

Final Report. After carefully analyzing management's response to the draft report, we incorporate management's response into the body of the report and include the full text of the reply in an appendix to the report. We send copies of the final report to the official responsible for taking corrective action. This usually is the head of the agency. Copies of the final report are also provided to the Mayor, City Administrator, D.C. Council, and other officials, as appropriate. OIG audit reports may also be provided to congressional committees, individual members of Congress, and the press. Generally, audit reports are available to the public on the OIG website.

Resolution Process. Prior to issuing the final report, the OIG will make every reasonable effort to resolve a disagreement with agency officials responsible for acting on report recommendations. If an agreement is not attainable, the final report will be issued and agency officials will be given another opportunity to comment on the final report. If comments to the final report indicate a continuing disagreement with the report's findings or recommendations, the issue will be resolved at the Inspector General level in conjunction with the Mayor.

Audit Follow-up. District officials and managers are responsible for implementing the corrective actions they have agreed to undertake in response to the audit report. The OIG monitors progress in implementing audit recommendations. Periodically, the OIG conducts follow-up audits to verify that pledged actions have been taken and were effective in correcting reported deficiencies. In addition, the Executive Office of the Mayor has initiated a system to track OIG recommendations, agency responses, and corrective actions.

AUDIT AND REPORTING MECHANISMS

ADDITIONAL REPORTING AND ALERTS

In addition to final reports issued upon the completion of an engagement, the OIG has instituted special reports to include:

- Management Alert Report (MAR)
- Management Implication Report (MIR)
- Fraud Alert Report (FAR)

A MAR is a report that is issued to the head of an agency for the purpose of identifying systemic problems that should and can be addressed during an audit, investigation, or inspection process. This report can also be used as a quick reaction report when it is necessary to advise management that significant time-sensitive action is needed.

A MIR is a report that is issued during or at the completion of an audit, investigation, or inspection alerting all District agencies of a potential problem, which may or may not be occurring in their particular agency.

A FAR is a report identifying a fraudulent scheme or schemes discovered most commonly as a result of a criminal investigation. This report, which is usually issued by our investigative division, is issued to alert all District agencies to be “on the lookout” for similar schemes.

AUDIT EMPHASIS AREA

Beginning in FY 2005, the OIG will implement a new audit initiative entitled the Audit Emphasis Program (AEP). The AEP’s purpose is to provide broad audit coverage on at least two issues critical to ensuring the integrity and security of District agencies. At the beginning of each planning year, the OIG will identify the issues we plan to cover in the AEP. We will develop the audit steps to append coverage for these issues on every performance audit conducted during the fiscal year. On the conclusion of each audit, we will issue a Management Alert Report on the AEP covered issues to agency management for their use and action on any recommendations. The AEP provides three immediate benefits to our audit program. First, it provides prompt feedback to agency officials/managers about the operability of important security/integrity related initiatives. Second, it allows us to gather information from multiple District agencies throughout the year, analyze the collected data to identify potential systemic problems, and issue a capping report that includes recommended solutions. Third, we will be able to accomplish this self-imposed tasking without the use of additional audit resources.

For FY 2005, we have identified two critical initiatives, affecting nearly all District agencies that are to be included in the AEP. The first is a review of the District's compliance with Homeland Security policies that require District agencies to maintain a program for Continuity of Operations Planning (COOP). COOP provides the agency with plans for the following operations in the event of an emergency that may disrupt normal operations: continuing the operation of essential functions; delegation of authority and orders of succession; working offsite at alternative facilities; maintaining redundant communication systems; and protecting data and critical information. In this AEP, we will develop a limited number of audit steps to review District agency compliance with COOP guidelines.

The second AEP is a review of the District's compliance with Mayor's Order 2003-136, dated September 25, 2003, concerning the performance of background checks on new employees hired for Information Technology (IT) positions and existing employees placed in new positions requiring greater IT security responsibilities. In this AEP, we will develop audit steps to test District agency compliance for obtaining background checks for personnel requiring such clearances.

AUDIT THEME/AGENCY INDEX

Fiscal Year 2005 Audit and Inspection Plan

Theme/Issue Area/Review Title	A G E N C Y	S T A T U S ¹	P A G E
I. Revenue Enhancement			
A. Medicaid			
1. Comprehensive Audit of the District's Medicaid Program	MA	O	24
2. Medicaid Taxicab Voucher Program	HC	O	25
B. Grant Management			
3. Audit of the Department of Health's HIV/AIDS Administration Office	HC	O	26
4. Advance Payments to Grant Recipients	MA	P	26
5. Monitoring Grants Effectively	MA	P	27
6. Sufficiency of Grant Agreements	MA	P	28
7. Audit Of FCC Grant Funds to the District of Columbia	MA	P	28
C. Tax Collections			
8. Tax Appeal Process	AT	P	29
9. Real Property Tax Assessments	AT	P	30
10. Homestead and Senior Citizen Property Tax Deductions	AT	P	30
11. Delinquent Tax Collections	AT	P	31
12. Tax Increment Financing Program	AT	P	32
D. Other Revenue Issues			
13. District Bond Covenants	AT	P	33
14. Audit of the Department of Public Works' Parking Meter Collections	MA	O	34
15. Audit of D.C. Lottery and Charitable Games Control Board Operations	DC	P	34
16. Management of the Auction Process for the District's Surplus Property	MA	O	35
II. Spending and Efficient Use of Resources			
A. Procurement			
17. Sole Source Contracts	MA	P	37
18. Contract Administration	MA	P	38
19. Expert and Consulting Services	MA	P	39
20. Construction Contracts	MA	P	39
21. Advance Payments to Contractors	MA	P	40

¹ "O" indicates the review is ongoing as of September 1, 2004, and "P" indicates the review is planned to start in FY 2005.

Theme/Issue Area/Review Title	A G E N C Y	S T A T U S	P A G E
B. Social Service Spending			
22. Compliance with Periodic Psychiatric Examination Requirements	RM	O	40
23. Audit of Maltreatment Incidents Reported For Foster Children in the Care of the District of Columbia Child and Family Services Agency	RL	O	41
24. Management Operations at the University of the District of Columbia	GF	P	41
25. State Education Office Severe Needs Breakfast Program	GA	O	42
26. Department of Parks and Recreation Before and After School Care Program	HA	P	43
27. Management of Cash Advances to the Greater Washington Urban League (GWUL)	DB	O	43
28. Follow-up Audit of the Disability Compensation Program	CF	P	44
29. Follow-up Audit of the Health Care Safety Net Program	HC	P	44
30. Tuition and Residency Requirements	GA	P	45
C. Other Spending Programs			
31. Administrative System Modernization Plan (ASMP)	TO	O	46
32. Direct Payments	MA	P	46
33. Inventory, Usage, and Maintenance of District Vehicles	MA	P	47
34. Real Property Maintenance	MA	P	47
35. Vacant and Abandoned Property	CR	P	48
36. Implementation of the District's Anti-Deficiency Act	MA	P	49
37. Facility Operations at the Office of Property Management	TO	P	49
38. Management of DCPS Capital Projects	GA	P	50
III. Delivery of Citizen Services			
A. Core Services			
39. Management Review of Actions Taken in Response to Elevated Levels of Lead in the District's Drinking Water	LA	O	53
40. Verification and Validation of Water Sample Testing at WASA	LA	O	54
41. Security at the District of Columbia Public Schools	GA	O	55
42. Management Review of the District of Columbia Department of Transportation (DDOT)	KT	P	55
43. Management Review of the District of Columbia Department of Motor Vehicles (DMV)	KV	O	56
44. D.C. Taxicab Commission	TC	P	56

Theme/Issue Area/Review Title	A G E N C Y	S T A T U S ¹	P A G E
45. Audit of Performance Measures	MA	P	57
46. Seized Property Intake, Custody, and Disposal	FA	P	57
47. District of Columbia Rat Abatement Program	HC	P	58
IV. Support Services			
A. Information Systems			
48. Systems Review of the Child Welfare System	TO	P	61
49. Unified Communications Center (UCC)	TO	P	61
50. Audit of the Medicaid Management Information System	TO	P	62
51. District Agencies' Implementation of Audit Recommendations	TO	P	63
B. Human Capital			
52. District of Columbia Occupational Professional Licensing Contract and Collections	CR	P	63
53. Qualifications and Background Checks For District Employees	MA	P	64
54. Management of D.C. Teachers, Police, and Firefighter Retirement Programs	DY	O	65
55. Workforce Investment Programs	CF	P	66
56. Management of Firearms and Ammunition	MA	P	66
57. Management of Administrative Pay	MA	P	67
58. Pension Payments to Deceased Beneficiaries	AT	P	67
V. Audits Required by Law			
A. Financial Integrity			
59. Comprehensive Annual Financial Report (CAFR) for FY 2004	MA	O/P	69
60. Home Purchase Assistance Fund	DB	O/P	70
61. Professional Engineers' Fund	CR	O/P	71
62. District of Columbia Antifraud Fund	CB	O/P	71
63. District of Columbia Highway Trust Fund and Five-Year Forecast	KT	O/P	72

PLANNED AND ONGOING AUDITS

I. REVENUE ENHANCEMENT

Unlike other municipal jurisdictions across the U.S., the District is limited in its ability to generate additional revenue, making it increasingly difficult to meet planned spending levels. For Fiscal Year 2005, we will perform audits that assess whether the District is effective in levying and collecting tax-based revenue, acting on all grant-based revenue opportunities, executing effective Medicaid reimbursement programs in the agencies, and optimizing other revenue generating activities. These audits address whether the District is maximizing its revenue potential from all known revenue sources. For FY 2005, the revised estimated revenue from all known sources is \$4.1 billion.

We categorized planned Revenue Enhancement reviews into Issue Areas that, while not mutually exclusive of other OIG themes, are primarily focused on the Revenue Enhancement theme. Accordingly, the Issue Areas are Medicaid, Grants Management, Tax Collections, and Other Revenue Issues.

A. Medicaid

The Medicaid Program has been of continuing concern to the District for some time and has been identified in recent Management Reports related to the Comprehensive Annual Financial Report as a material weakness affecting the District's financial management infrastructure. At least one Congressional committee, as well as the Mayor and the Council, recognized that Medicaid is a serious problem for the District that has threatened the solvency of some District agencies. For these reasons, the OIG has designated the Medicaid Program as a major issue area until the risk to the District is more manageable. Accordingly, our plan for Medicaid coverage is citywide and comprehensive. Reviews contemplated include the Medicaid waiver process, Medicaid transportation, Medicaid documentation, Medicaid records management, and Medicaid third-party liability. Additionally, we will identify ongoing efforts to resolve past and current Medicaid problems and new pressures on the Medicaid Program. The District's Medicaid Program currently expends approximately \$1 billion each fiscal year.

NO. 2 **Department of Health (DOH)** **STATUS: Ongoing**

TITLE: **MEDICAID TAXICAB VOUCHER PROGRAM**

OBJECTIVES: The audit objectives are to determine whether DOH, in relation to the Medicaid Taxicab Voucher Program: (1) established adequate operating policies and procedures; (2) complied with applicable laws, rules, regulations, policies and procedures; (3) properly approved and documented cab fare reimbursements; and (4) implemented adequate internal controls to safeguard against fraud, waste, and abuse.

JUSTIFICATION: The Medicaid Taxicab Voucher Program is jointly administered by the DOH, Medical Assistance Administration, Office of Program Operations (MAA OPO) and the DOH, Office of the Chief Financial Officer (DOH OCFO). The objective of the Program is to provide transportation assistance to recipients with serious medical conditions, which qualify the recipient to use a taxicab (rather than other types of public transportation) when receiving medical treatment. Recipients qualify for transportation assistance by filing a Transportation Request and Medical Necessity Certification form (Medical Necessity form) at the medical facility. The Medical Necessity form must be completed and approved by a physician.

The Medicaid Fraud Control Unit of the OIG made a referral to the Audit Division for a review of the internal controls associated with payments of taxicab fees. This audit will undertake a review of the issues based on that referral.

B. Grant Management

The District depends on federal grant funds to support its ability to provide a wide range of services and programs for its citizens. Federal grants account for a significant portion of District revenue. Therefore, it is essential that the District properly account for grant funds and obtain timely reimbursement for District funds expended. The Chief Financial Officer of the District has the responsibility to ensure that policies governing the management of grant funds are effectively implemented.

Deficiencies related to federal grants include non-compliance with reporting requirements, poor cash management practices, insufficient monitoring,

payments. The District's Office of Finance and Treasury and the Office of Research and Analysis are unaware of any guidance pertaining to advance payments to grant recipients. Although some grants allow for advance payments, authorizing advance payments to grant recipients occurs on an agency-by-agency basis, depending on the grant agreement.

During an ongoing audit being conducted by the OIG, it was noted that cash advances were being made to a sub-recipient, but the grant agreement lacked guidance on advance payments. Approximately \$13.5 million had been advanced to the sub-recipient over a 5-year period, which exceeded the amount requested by the sub-recipient. The float of advance funds caused the District to lose interest it could have accrued on these funds.

NO. 5 **Multi-Agency** **Status: Start FY 2005**

TITLE: **MONITORING GRANTS EFFECTIVELY**

OBJECTIVES: Our audit objectives are to determine whether: (1) grant funds are spent in an effective and efficient manner; and (2) agencies have policies and procedures in place to ensure effective grant oversight.

JUSTIFICATION: Each year the District government receives over \$1 billion in grant funds from federal agencies. Agency heads are responsible for ensuring that their staff effectively manages the agency's grant. Successful grant management entails planning, budgeting, application, implementation, monitoring, and evaluation. Basic monitoring of subgrantees and/or contractors includes frequent, scheduled telephone reviews; written progress reports; financial status reports and payment requests; review of draft deliverables; and, if applicable, site visits and audits.

Monitoring grants effectively is not only a problem in the District government, but tends to be a problem in other jurisdictions as well. Past audits issued by our Office as well as oversight entities such as the United States General Accounting Office have repeatedly found that agencies continue to face persistent problems in adequately monitoring grants and ensuring that grant deliverables are obtained. Additionally, it is often discovered that agencies had neither developed nor implemented a standard reporting process to document, monitor,

Libraries Universal Service program was established as part of the Telecommunications Act of 1996 to provide affordable telecommunications services to all eligible schools and libraries, especially those in rural and economically disadvantaged areas.

The Universal Service Program for Schools and Libraries, also known as the E-Rate, is administered by the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC). This FCC initiated telecommunications discounts programs for schools and libraries is in its second year.

For the period of 1998 to 2003, DCPS received \$80 million in FCC Grants.

C. Tax Collections

Tax collections generate the bulk of revenue to finance District operations paid from the General Fund. For FY 2005, it is estimated that taxes will generate about \$3.6 billion in revenues for the District. Further, the General Accounting Office, as well as District officials, have drawn attention to the structural imbalance in the District's revenue system that limits the District's ability to generate additional revenues. Thus, the efficiency of the tax collection automated systems and the effectiveness of policies, procedures, and internal control play a pivotal role in enabling the District to maximize collection of taxes due to the city.

NO. 8	Office of Tax and Revenue	STATUS: Start FY 2005
TITLE:	TAX APPEAL PROCESS	
OBJECTIVES:	The audit objective is to determine whether negotiations and settlements of cases involving tax audits and tax collections are made in accordance with applicable policies and procedures and to evaluate the impact of those operations on tax revenues.	
JUSTIFICATION:	The mission of the Office of Tax Appeals is to enhance voluntary compliance and improve taxpayer confidence in the District of Columbia by providing taxpayers an opportunity to resolve disputes, without litigation, through a process that is fair and impartial to both the government and the taxpayer. The Office of Tax Appeals issues a decision ordering either the Audit or Collection Division to grant the	

controls in place to prevent or detect material errors and to recoup any lost tax revenue.

JUSTIFICATION: Past audits have disclosed that the District may have lost approximately \$44.7 million in real property (real estate) tax revenue due to a lack of effective managerial oversight and direction over homestead and senior citizen property tax deductions. In addition, the District did not have effective manual and automated processes for granting, revoking, monitoring, and calculating these tax deductions.

According to OTR, over 70,000 real properties in the District receive the Homestead and Senior Citizen property tax deduction. To qualify for the Homestead deduction, OTR must have a current application on file, the owner must occupy the property, and it must be the principal residence of the owner.

NO. 11 **Office of Tax and Revenue** **STATUS: Start FY 2005**

TITLE: **DELINQUENT TAX COLLECTIONS**

OBJECTIVES: The overall audit objective will be to determine whether the Office of Tax and Revenue's tax collection processes and procedures are efficient, effective, and timely. Specifically, we will determine whether OTR is effectively filing tax liens on delinquent accounts to protect the District's interest, collect back taxes, and encourage compliance with tax laws.

JUSTIFICATION: OTR is responsible for collecting the proper amount of tax due to the District. Individual, corporate, and unincorporated income taxes are the largest source of revenue in the District.

The D.C. Code grants OTR the right to file liens, place levies on a taxpayer's property, and seize and sell a taxpayer's property to collect tax owed to the District. The FY 2000 Tax Clarity Act (D.C. Law 13-305) stipulates that tax levies have only a life span of 10 years. If OTR has failed to collect tax owed within 10 years from the date of the tax assessment, absent an agreement to extend the period, the District loses all rights to pursue taxes owed and revenues are lost.

OTR posts a list of all delinquent taxpayers with corresponding amounts owed. As of July 28, 2004, the total delinquent tax amounts

due from taxpayers with known and unknown addresses exceeded \$23 million.

NO. 12

Office of Tax and Revenue

STATUS: Start FY 2005

TITLE:

TAX INCREMENT FINANCING PROGRAM

OBJECTIVES:

The audit objectives are to determine whether: (1) adequate management and internal controls exist within the Tax Increment Financing (TIF) program; (2) projects receiving funds have been properly approved; (3) review and approval policies over disbursements exist, are followed as prescribed, and are adequate; and (4) disbursements were proper and bona fide.

JUSTIFICATION:

The TIF is a program that allows the District government to provide economic development grants by borrowing against future tax receipts from funded projects. The District established the TIF program in 1998, and the "Tax Increment Financing Reauthorization Act of 2002" reauthorized the initiative. Currently, the District is authorized to have a maximum of \$300 million in TIF bonds outstanding. The proposed budget for the TIF program for FY 2005 is \$7,770,000, which is an increase of 400.5 percent of the approved budget for FY 2004. The District's Comprehensive Annual Financial Report for FY 2003 shows that the fund balance for the TIF program at year-end was \$12.1 million.

The Office of the Chief Financial Officer (OCFO), and the Office of the Deputy Mayor for Planning and Economic Development (DMPED) jointly administer the program.

D. Other Revenue Issues

This Issue Area includes those audits within the Revenue Enhancement theme that do not yet have sufficient common elements to warrant a unique issue area.

NO. 13 **Office of the Chief Financial Officer** **STATUS: Start FY 2005**

TITLE: **DISTRICT BOND COVENANTS**

OBJECTIVES: The audit objectives are to determine whether funds generated by bonds are used in compliance with their covenants and for intended purposes.

JUSTIFICATION: The District issues general obligation bonds to pay the costs of acquiring or developing capital projects and to refund outstanding indebtedness. The Office of Finance and Treasury (OFT) handles the issuance of these bonds. OFT's mission includes overseeing the financing of the District's capital program and cash flow needs, and exercising fiscally responsible debt management practices to minimize the cost of borrowing, pay down existing debt as amortized, and maintaining appropriate debt ratios. The FY 2003 Comprehensive Annual Financial Report (CAFR) reported that the District had approximately \$3.2 billion in outstanding serial and term general obligation bonds.

The District's general obligation bonds are backed by the full faith and credit of the District and are secured by the District's semi-annual collection of special real property taxes. The interest earnings on these bonds are free from federal income taxation. In April of 2004, Moody's Investor Service upgraded the District of Columbia's general obligation bond rating by two notches, from Baa1 to A2, and changed the rating outlook to stable from positive. This is the first time since at least 1990 that Moody's has given the District an 'A' rating. Last year, Fitch Ratings and Standard and Poor's upgraded the District's General Obligation Bonds to A- from BBB+.

NO. 14 **Department of Public Works** **STATUS: Ongoing**

TITLE: **AUDIT OF THE DEPARTMENT OF PUBLIC WORKS’
PARKING METER COLLECTIONS**

OBJECTIVES: The audit objectives are to determine: (1) the adequacy of contract administration over the collection of parking meter revenues; and (2) whether adequate management and internal controls exist over the collection process.

JUSTIFICATION: There are more than 17,000 parking meters throughout the city. The parking meters are state-of-the-art meters that accept nickels, dimes, and quarters. The District has a long-term contract for the collection of parking meter fees and to maintain the meters. In this high volume cash business, it is essential that internal controls are effective to prevent abusive practices.

NO. 15 **D. C. Lottery and Charitable** **STATUS: START FY 2005**
Games Control Board

TITLE: **AUDIT OF D.C. LOTTERY AND CHARITABLE GAMES
CONTROL BOARD OPERATIONS**

OBJECTIVES: Our audit objectives are to evaluate the effectiveness of the D. C. Lottery and Charitable Games Control Board’s (Lottery Board) internal controls over ticket sales, agent licensing activities, collection of sales revenue from agents, monitoring of the on-line game contractor, and security operations. We will also assess whether the Lottery Board’s operations are in compliance with applicable provisions of the law as well as D.C. and Lottery Board regulations.

JUSTIFICATION: The D.C. Lottery is a revenue-generating agency of the District of Columbia. Each year the D.C. Lottery transfers millions of dollars to the General Fund. Players participating in online and instant games produce this money. Since the Lottery's inception in 1982, the total contribution has been over \$1 billion. The D.C. Lottery's annual transfer to the General Fund remains a vital component in aiding the city's economy, thereby benefiting all residents of the District of Columbia, as well as suburban commuters and tourists.

Previous audits revealed weaknesses and inefficiencies in the design and operation of the internal control structure of Lottery Board operations. As such, this audit will address the Lottery Board's operations in view of past internal control problems and the risks associated with lottery sales.

NO. 16 **Multi-Agency** **STATUS: Ongoing**

TITLE: **MANAGEMENT OF THE AUCTION PROCESS FOR THE DISTRICT'S SURPLUS PROPERTY**

OBJECTIVES: Our audit objectives are to determine whether the Office of Contracting and Procurement: (1) auctioned surplus property in an efficient, effective, and economical manner; (2) complied with the requirements of applicable laws, rules, regulations, policies, and procedures; and (3) implemented internal controls to prevent or detect material errors and irregularities.

JUSTIFICATION: The primary function of the Office of Contracting and Procurement, Personal Property Division is to dispose of excess and surplus personal property belonging to the District government. Each month, with the exception of December, the Personal Property Division operates an auction that is open to the general public. We will evaluate the auction process, and determine whether improvements are necessary to enhance the District's revenue base.

II. SPENDING AND EFFICIENT USE OF RESOURCES

Spending pressures in the last couple of years have sharpened our resolve to examine programs that present the greatest risk of monetary drain on District funds. As such, we have ongoing audits that address the efficiency of operations at the District of Columbia Public Schools (DCPS) and Department of Housing and Community Development (DHCD). For FY 2005, we plan to review programs related to the Department of Mental Health, the Child and Family Services Agency (CFSA), and the University of the District of Columbia (UDC), as well as infrastructure issues such as deferred maintenance and vehicle maintenance and acquisition. We will also concentrate on procurements of goods and services, focusing on the acquisition of computer hardware, software and services, consultant contracts, sole source contracting, and management over advance payments to contractors.

A. Procurement

The District of Columbia government is one of the largest purchasers of goods and services in the metropolitan area. Its procurement policies impact every aspect of District operations. Health and safety standards, education, wages, business growth, and fiscal and monetary soundness are all affected by procurement practices. These expenditures, however, have not always provided taxpayers with the most for their tax dollars. OIG audits, external audits, and oversight hearings have revealed recurrent and pervasive areas of waste, mismanagement, cost overruns, inferior products, shoddy workmanship, and fraud.

To maintain the confidence and trust of District stakeholders, the procurement process must provide for quality products and services at reasonable prices. Accordingly, the OIG has implemented an initiative to audit procurement and contract administration on a continuous basis consistent with the OIG Statute, which mandates this Office to conduct audits of District procurements.

NO. 17	Multi-Agency	STATUS: Start FY 2005
TITLE:	SOLE SOURCE CONTRACTS	
OBJECTIVES:	The audit objectives are to determine whether: (1) sole source procurements were justified, including the reason a competitive process cannot be used; and (2) agencies complied with sole source	

policies and procedures, and procurement regulations of Title 27 of the DCMR.

JUSTIFICATION: Past audits have shown that many sole source contracts have been awarded without legitimate justification, also referred to as a Determination and Findings. Unjustified sole source contracts may occur because District agencies do not effectively plan for procurements or because District agencies do not identify procurement needs in a timely manner. The lack of effective planning may cause the District to award sole source contracts and subsequently pay more for services than it would normally have to pay under the competitive procurement process.

NO. 18 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **CONTRACT ADMINISTRATION**

OBJECTIVES: The audit objectives are to evaluate the adequacy of contract administration for contracts awarded by various District agencies by: (1) determining whether the contract administration staff is properly trained to perform its duties of contract monitoring and oversight; (2) ensuring that the contractor adheres to the contract terms and conditions; (3) determining whether the contract administration staff communicates effectively and adequately with the contracting officer; (4) verifying that contractors are providing quality goods and/or services; and (5) verifying that District funds are used for the purposes intended.

JUSTIFICATION: Past audit reports have indicated that insufficient contract administration may have contributed to poor financial management practices and circumvention of internal controls. It is imperative that aggressive monitoring and oversight of contract performance are exercised to ensure that District contracts are administered in the best interests of the District.

NO. 19 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **EXPERT AND CONSULTING SERVICES**

OBJECTIVES: The audit objectives are to determine whether: (1) District agencies administer consulting contracts effectively and efficiently; and (2) the Office of Contracting and Procurement (OCP) ensures that District agencies comply with procurement laws and regulations when contracting for consulting services.

JUSTIFICATION: OCP contracts for expert or consulting services on behalf of District agencies to provide specialized services that aid in the efficient, effective, and economical management of the District. However, in the past, concerns have been expressed regarding whether the District's use of consulting services is the most cost-efficient and effective use of District resources.

NO. 20 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **CONSTRUCTION CONTRACTS**

OBJECTIVES: The objectives of the audit are to determine whether: (1) District agencies used the competitive bidding process when soliciting construction contracts; and (2) each District agency monitored its contracts to ensure satisfactory deliverables.

JUSTIFICATION: The Capital Construction Services Administration, which operates under the Office of Property Management (OPM), ensures the timely and cost-effective delivery of quality engineering design, construction, and other technical services for capital development projects. OPM has budgeted approximately \$50 million for construction contracts during FYs 2004-2009.

The District has experienced problems regarding the administration of construction contracts. It is of paramount importance that internal controls are in place to ensure that construction contractors properly price property and/or services and submit accurate invoices and appraisals.

NO. 21 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **ADVANCE PAYMENTS TO CONTRACTORS**

OBJECTIVES: Our audit objectives are to determine whether: (1) contractors are meeting eligibility criteria to receive advance payments; and (2) advance payments to contractors are being properly administered and monitored. Additionally, we will follow-up on prior audits relative to this audit area.

JUSTIFICATION: The Office of Contracting and Procurement (OCP) provides services in bureaus located in numerous agencies and at the headquarters location. The service bureaus are staffed by Agency Chief Contracting Officers and procurement specialists and are organized into clusters, such as Public Safety and Human Services. An Assistant Director who has senior contracting experience manages each cluster. OCP agency customers are provided contract program training, assistance with the development of statements of work, and purchase cards for the acquisition of needed supplies.

Past audits have identified millions of dollars in payments that the District improperly advanced to contractors. Title 27 of the DCMR, Sections 3205 through 3208, discusses the regulations regarding advance payments to contractors.

B. Social Service Spending

Because social service programs are designed to meet some of the most basic and vital needs of District residents, we plan to review the extent to which expenditures were made to maximize program efficiency and effectiveness for citizens.

NO. 22 **Department of Mental Health (DMH)** **STATUS: Ongoing**

TITLE: **COMPLIANCE WITH PERIODIC PSYCHIATRIC EXAMINATION REQUIREMENTS**

OBJECTIVES: The audit objective is to determine if civilly committed consumers receive periodic psychiatric examinations are required by law.

JUSTIFICATION: The Inspector General received a complaint that the DMH was not in compliance with the Ervin Act. The Ervin Act requires a psychiatric examination every 90 days for those persons civilly committed by court order.

NO. 23 **Child and Family Services Agency** **STATUS: Ongoing**

TITLE: **MALTREATMENT INCIDENTS REPORTED FOR FOSTER CHILDREN IN THE CARE OF THE DISTRICT OF COLUMBIA CHILD AND FAMILY SERVICES AGENCY**

OBJECTIVES: The objectives of the audit are to determine whether the Child and Family Services Agency (CSFA): (1) managed the Foster Care Program in an efficient, effective, and economical manner; (2) complied with requirements of applicable laws, rules, regulations, policies, and procedures; and (3) implemented internal controls to ensure the health, safety, and welfare of children in youth residential facilities. Our initial audit will focus on CFSA's reporting of abuse and neglect incidents for foster children. Other areas of audit coverage will include the intake and placement process, foster parent requirements, and general licensing procedures.

JUSTIFICATION: There has been a continuing concern about the adequacy of care provided to foster children, with cost, health, safety, and social well-being as some of the primary issues affecting the care and development of abused and neglected children. In addition, recent public outcry over the living conditions of children residing in foster and group homes in several states as well as specific reports of abuse of children under foster and group home care necessitate an audit of the District's foster and group home program.

NO. 24 **University of the District of Columbia** **STATUS: Start FY 2005**

TITLE: **MANAGEMENT OPERATIONS AT THE UNIVERSITY OF THE DISTRICT OF COLUMBIA**

OBJECTIVES: The audit objectives are to determine whether the University of the District of Columbia (UDC): (1) managed and used resources in an efficient, effective, and economical manner; (2) complied with requirements of applicable laws, regulations, policies, and procedures; and (3) implemented internal controls to prevent or detect material errors and irregularities.

JUSTIFICATION: The UDC is an urban, land-grant institution of higher education with an open admissions policy. It is a comprehensive public institution offering affordable post-secondary education to D. C. residents at the certificate, associate, baccalaureate, and graduate levels. The goals of these programs are to prepare students for immediate entry into the workforce, the next level of education, specialized employment opportunities, and to promote life-long learning.

UDC's budget for FY 2005 is estimated at \$90.5 million, including a proposed level of 1,023.5 FTEs. The FY 2004 approved budget for UDC was \$87.6 million and included an approved FTE level of 1,086 employees. UDC enrolls a cross-section of more than 20,000 students per year. Over 5,000 students are enrolled in credit courses and more than 15,000 students are enrolled in noncredit courses through UDC's Division of Community Outreach and Extension Service.

NO. 25 **District of Columbia Public Schools** **STATUS: Ongoing**

TITLE: **STATE EDUCATION OFFICE SEVERE NEEDS BREAKFAST PROGRAM**

OBJECTIVES: The audit objective is to determine whether the District of Columbia's schools have submitted accurate, valid, and sufficient cost data to the State Education Office (SEO) so that it may determine the schools' eligibility to receive reimbursement for meals at the "severe need" rates.

JUSTIFICATION: During 2002, a Management Evaluation performed by the Office of the Regional Director of the School Nutrition Program identified that findings previously reported in its FY 2000 Management Evaluation pertaining to the School Breakfast Program had not been adequately addressed. The State Education Office requested that we perform a review of selected school food authority locations in order to address these issues, and determine if federal and local requirements were fulfilled.

NO. 26 **Department of Parks and Recreation** **STATUS: Start FY 2005**

TITLE: **DEPARTMENT OF PARKS AND RECREATION BEFORE
AND AFTER SCHOOL CARE PROGRAM**

OBJECTIVES: Our audit objectives are to determine if the Department of Parks and Recreation (DPR) Before and After School Care Program (BASCP) has the necessary internal controls in place to ensure that monies for BASCP programs are used as intended. We will also determine whether the DPR-BASCP program is operating cost effectively and efficiently to maximize recreation and social activities for children, and that the fee schedule for after school programs are equitably distributed.

JUSTIFICATION: The Department of Parks and Recreation coordinates a wide variety of recreational and educational programs. One such program is the Before and After School Care Program. This year-round program provides tutorial, cultural, recreational, and creative arts programming and nutritional support services to children ages 4 to 12 and special needs children ages 5 to 18 and their working parents. The goal is to enlarge the quality of life and nurture opportunities for children and parents. The DPR proposed budget for FY 2005 for Specialty and Targeted Programs and Recreation Programs is approximately \$9.4 million \$17 million respectively.

NO. 27 **Department of Housing and** **STATUS: Ongoing**
Community Development (DHCD)

TITLE: **MANAGEMENT OF CASH ADVANCES TO THE GREATER
WASHINGTON URBAN LEAGUE (GWUL)**

OBJECTIVES: Our audit objectives are to determine whether: (1) cash advances provided to the GWUL are being properly managed; and (2) those cash advances exceed the cash requirements of the GWUL for its execution of certain aspects of the Home Purchase Assistance Program.

JUSTIFICATION: The Director, DHCD, requested the overall audit. During the initial stages of our overall audit, we identified weaknesses in the DHCD management of cash advances provided to the GWUL under a DHCD grant agreement for execution of certain aspects of the HPAP. As a result, we initiated this audit to evaluate GWUL's administration of those cash advances, the monitoring of those cash advances by DHCD, and the outstanding cash advance balances maintained by GWUL.

Health Care Safety Net Administration (HCSNA) oversight responsibilities; (2) fiscal oversight of providers and subcontractors; (3) estimating health care service levels; (4) monitoring contract funding and expenditures; (5) enforcing compliance with contract requirements that trained enrollment specialists be employed by the provider; (6) having effective procedures for determining patient Medicaid status and eligibility; (7) requiring the provider to establish proof of District residency; and (8) ensuring periodic validation of membership rolls. These recommendations, if satisfactorily implemented, will achieve cost-effective and improved health care service delivery.

NO. 30 **District of Columbia Public Schools** **STATUS: Start FY 2005**

TITLE: **TUITION AND RESIDENCY REQUIREMENTS**

OBJECTIVES: Our audit objective is to determine whether the D.C. Public Schools tuition and residency policy is effectively implemented in all instances where tuition and residency issues occur.

JUSTIFICATION: It is the policy of the District of Columbia Public Schools System to provide a free education to all children who are residents of the District. Non-resident children may enroll in D.C. Public Schools provided that their parents or guardians pay tuition each semester. Tuition rates vary from \$2,500 to \$5,500 a semester. Because the District has one of the most extensive and well rated before and after school care programs for children in elementary and middle schools, working parents are particularly attracted to the District system. On occasion, non-resident parents have enrolled their children in the public school system without paying tuition and child care costs. When detected, these cases are subject to formal investigation and review by the Office of the Superintendent, DCPS.

Additionally, concerns have surfaced that students from other states are attending District schools to take advantage of before and after-care programs or full-day kindergarten curriculum, absent the payment of tuition or fees.

C. Other Spending Programs

This Issue Area includes those audits within the Spending and Efficient Use of Resources Theme that do not yet have sufficient common elements to warrant a unique issue area.

NO. 31 **Office of the Chief Technology Officer** **STATUS: Ongoing**

TITLE: **ADMINISTRATIVE SYSTEM MODERNIZATION PLAN (ASMP)**

OBJECTIVES: Our audit objective is to determine whether procedures, processes, and management controls are in place to project and accumulate costs incurred and benefits for work associated with ASMP.

JUSTIFICATION: The ASMP initiative encompasses business process engineering, organization change management, system replacement, system enhancement, new systems, system integration, and IT oversight. The ASMP affects the majority of District agencies and is scheduled to be completed in 2005 at a cost estimated to exceed \$71 million. Anticipated benefits of the new system include reduced operating costs; specifically, work reduction, time savings, and cost avoidance. Effective cost control and underlying assumptions on cost reductions and cost avoidance should be subjected to independent scrutiny.

NO. 32 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **DIRECT PAYMENTS**

OBJECTIVES: Our audit objective is to ensure that direct payments processed adhere to regulations and that agencies have not violated anti-deficiency laws.

JUSTIFICATION: Direct funding (e.g., direct payment) is a funding method usually reserved for non-procurement events. For example, it is used for court-ordered settlements and judgments, court-ordered fines, and other events not planned. These payments are charged directly to the appropriated portion of the agency budget authority not allocated, reserved, or committed to any other procurement or expenditure.

Past audits have identified that agencies have violated District of Columbia financial policies by deobligating and redirecting funds that were encumbered for existing contracts in order to fund other

contracts. The cost of those contracts was satisfied through pooling the deobligated monies and the use of direct payments to the vendors. A direct payment is a funding method usually reserved for unexpected non-procurement events. Overuse of direct payments can lead to an eventual over-obligation of funding authority and breakdown of essential internal controls over the expenditure process.

NO. 33 **Department of Public Works** **STATUS: Start FY 2005**

TITLE: **INVENTORY, USAGE, AND MAINTENANCE OF DISTRICT VEHICLES**

OBJECTIVES: The audit objectives are to determine the cost effectiveness of vehicle usage and maintenance for District government vehicles. We will also determine the accuracy of vehicle inventories.

JUSTIFICATION: An audit of the cost effectiveness of government vehicles will ensure adequate spending and efficiency of District funds. Previous audit coverage of the Metropolitan Police Department's vehicle maintenance program revealed problems with the administration of the vehicle maintenance contract, including turn-around time for vehicle repairs and monitoring of repairs.

The Department of Public Works (DPW) maintains District government vehicles except those used by police, fire, corrections, and public school officials. DPW's Fleet Management program provides maintenance, parts, and acquisition services for approximately 3,000 city-owned and leased vehicles. In addition, the program provides fuel and fluids to more than 6,000 vehicles, including those maintained by the program, as well as vehicles belonging to the D.C. Public Schools, Metropolitan Police Department, Fire/EMS, and the Water and Sewer Authority. The program's budgets for FY 2004 and FY 2005 are approximately \$12.9 million and \$14 million, respectively.

NO. 34 **Office of Property Management** **STATUS: Start FY 2005**

TITLE: **REAL PROPERTY MAINTENANCE**

OBJECTIVES: Our audit objectives are to review the efficiency and effectiveness of District programs for maintaining and repairing the District's real property. We will also assess the management of deferred maintenance projects (backlog of maintenance and repair), taking into

account the planning, prioritization, and funding needs for executing an effective real property maintenance and repair program. In addition, we will determine if internal controls are adequate to safeguard resources used in accomplishing program objectives.

JUSTIFICATION Given the large capital outlays and public works expenditures, there is concern over whether these expenditures are properly classified and resources are adequately managed to accomplish efficient and effective replacement, maintenance, and repair of the District's real property assets. The cost of maintaining a healthy and vibrant city continues to escalate with aging infrastructures. The ability to meet this challenge often depends on how well a city directs scarce resources for maintaining and repairing its real property.

NO. 35 **Office of Planning and Economic Development** **STATUS: Start FY 2005**

TITLE: **VACANT AND ABANDONED PROPERTY**

OBJECTIVES: Our audit objective is to determine if the Office of Planning and Economic Development provided proper oversight to ensure that developers complied with requirements of applicable laws, regulations, and contract requirements.

JUSTIFICATION: In January 2002, the Mayor introduced the Home Again Initiative to transform vacant and abandoned residential properties into single-family homeownership opportunities for residents. The goals of Home Again Initiative are to encourage property owners to rehabilitate and/or occupy their vacant and abandoned residential property and acquire, dispose of, and rehabilitate properties when owners fail to maintain them. Qualified developers submit bids for the purchase and development of a bundle of properties controlled by the District. The bids are evaluated based on several factors and once the bundle is awarded, the developer selected must complete the proposed rehabilitation within 1-year of purchase.

NO. 36 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **IMPLEMENTATION OF THE DISTRICT'S ANTI-DEFICIENCY ACT**

OBJECTIVES: The audit objective is to evaluate District agencies compliance with the Anti-Deficiency Act.

JUSTIFICATION: The District's Anti-Deficiency Act became effective April 4, 2003. The Act is intended to prevent overspending by District agencies. It sets forth reporting requirements to alert District officials so that remedial actions may be taken to prevent overspending. Also, it imposes a requirement for disciplinary action against procurement officers who are responsible for agency overspending. Potential Anti-Deficiency Act violations include: (1) awarding a contract with an amount exceeding available funding; (2) failing to obtain funding authorization and approval; (3) misrepresenting the availability of funds; (4) failing to timely record encumbrances; (5) failing to ratify unauthorized purchases; and (6) using current year funds to pay for goods/services received in a prior year.

On September 26, 2002, the OIG published a Management Implication Report to advise District agencies of the consistent problems that recent audits have disclosed concerning the District's procurement practices. The report suggests that these consistent problems with procurement practices place agencies at risk of violating Anti-Deficiency Act provisions.

NO. 37 **Office of Property Management** **STATUS: Start FY 2005**

TITLE: **FACILITY OPERATIONS AT THE OFFICE OF PROPERTY MANAGEMENT**

OBJECTIVES: The overall audit objective is to review and assess the OPM's efforts in meeting the mission of the agency in the area of facility maintenance and operations, to include building and occupants' safety and health considerations. Specific audit objectives will be determined after completion of the survey stage.

JUSTIFICATION: The Office of Property Management (OPM) is responsible for the management, care, and operation of all District government facilities and has two divisions responsible for meeting these needs.

The Facility Management Division (FMD) maintains day-to-day management of District government owned and leased properties. Building operation and maintenance services include, but are not limited to, engineering, janitorial, landscape, window washing, minor repairs, and non-structural improvements.

The Facility Operations and Maintenance Administration (FOMA) is responsible for various types of repairs and improvements, condition assessment, and contractual services for capital improvements and maintenance of OPM facilities and other District agencies as requested. Most of the work is performed by in-house trade employees and supplemented by private contractors. The FY 2004 proposed budget is \$57 million for the Office of Property Management.

NO. 38 **D.C. Public Schools (DCPS)** **STATUS: Start FY 2005**

TITLE: **MANAGEMENT OF DCPS CAPITAL PROJECTS**

OBJECTIVES: Our audit objectives are to determine whether: (1) the DCPS Facilities Master Plan (FMP) is being implemented in accordance with established policies and procedures; (2) the FMP effectively addresses capital improvement needs of the school system; (3) capital projects are properly authorized and prioritized; (4) procurement/acquisition policies and practices are effective and followed as prescribed; (5) projects are effectively and efficiently executed and are adequately monitored; and (6) sufficient management controls are in place over the capital improvement program.

JUSTIFICATION: In order for DCPS students to learn, DCPS facilities must provide a safe and secure learning environment. Buildings that are old, unsafe, and not conducive to learning pose safety hazards, health threats, lead to low morale among students and staff, and lag in technological capability. Hundreds of millions of dollars have been spent in the past few years and hundreds of millions of dollars have been budgeted for future years for DCPS capital improvements. However, the capital projects funded must be managed soundly and effectively to avoid cost overruns, time overruns, and waste. Hence, the projects must be planned, designed, procured, and monitored adequately. DCPS's capital projects budget for FY 2005 is approximately \$175 million.

Two audit reports by the GAO expressed concerns about management of DCPS capital projects. An April 2002 report, "D.C. Public Schools,

Modernization Program Faces Major Challenges,” raised concerns about modernization projects costing more than planned; modernization projects taking longer than expected to complete; quality inspections of projects not being performed; and the management of asbestos in the schools. A September 2001 report, “D.C. Public Schools Inappropriately Used Gas Utility Contracts for Renovations,” stated that DCPS mismanaged a utility contract when making tens of millions of dollars in school renovations. The report also disclosed that DCPS circumvented important management and oversight controls, and the school system put the renovation work at considerable risk of improper billing, poor work quality, and high prices.

III. DELIVERY OF CITIZEN SERVICES

In the last few years, we have increased our audit and inspection coverage of agencies responsible for delivery of essential citizen services. In FY 2005, we plan to provide audit and inspection coverage for many of the large District service organizations. The common goal of these reviews will be to improve the efficiency and effectiveness of municipal services to District residents.

A. Core Services

District leaders frequently have expressed concern about whether taxpayer dollars are being used optimally to serve the citizens' best interests in a number of areas. We share these concerns and have completed audits on housing (HOPE VI programs at D.C. Housing Authority), child support services (payment systems), community development (Department of Housing and Community Development), and mental health (St. Elizabeth's Hospital). For FY 2005, we plan to conduct audits of several service-based organizations, including D.C. Water and Sewer Authority, Child and Family Services, the Department of Motor Vehicles, and the D.C. Taxicab Commission. We also plan to perform another assessment of agency-wide performance measures (commonly referred to as the Mayor's Scorecard).

NO. 39	Water and Sewer Authority (WASA)	STATUS: Ongoing
TITLE:	MANAGEMENT REVIEW OF ACTIONS TAKEN IN RESPONSE TO ELEVATED LEVELS OF LEAD IN THE DISTRICT'S DRINKING WATER	
OBJECTIVES:	The audit objectives are to determine whether: 1. management controls are in place to ensure that the working environment, at and surrounding WASA, promotes effective, timely, and accurate dissemination of critical information within WASA and to external stakeholders so that decision makers and others have a reasonable basis for taking actions that affect the health of those served by WASA;	

2. management controls are in place to ensure that prompt and effective action was taken on previously reported lead-related concerns; and
3. federal and District laws and regulations provide for sufficient triggers, processes, testing, and reporting to ensure information is available to decision makers and other stakeholders.

JUSTIFICATION: We are conducting this audit based on requests from the Mayor and two Councilmembers.

For the monitoring period ending June 30, 2002, WASA reported that it had exceeded the established action level for lead. As a result, WASA is required to conduct and report regular lead monitoring and meet lead service line replacement requirements, as well as communication and public education requirements. We plan to review and evaluate WASA's actions taken prior to and after reporting on exceeding the lead level to determine WASA's compliance with applicable laws and to ensure that prudent and reasonable actions were taken to ensure the health and safety of the District residents and customers.

NO. 40 **Water and Sewer Authority** **STATUS: Ongoing**

TITLE: **VERIFICATION AND VALIDATION OF WATER SAMPLE TESTING AT WASA**

OBJECTIVES: The objectives are to determine whether the lead levels present in water samples drawn on each of three separate databases/universes of D.C. locations are less than, equal to, or greater than the original test results and to project of the statistical results of the tests to the known universes of addressees previously tested.

JUSTIFICATION: In earlier tests for the presence of lead in D.C. water, higher than acceptable levels of lead (greater than 15 parts per billion, (ppb) began appearing in routine tests of the District's drinking water. Initial inquiries into the rising presence of lead in D.C. water cited several possibilities for the increase, including a change in water chemistry (the introduction of chloramines as a secondary disinfectant), which could cause an increase in the leaching effect on lead pipes.

Based on the seriousness of the issues involved and past problems identified at WASA, a D.C. councilmember requested that the OIG

NO. 41 secure an independent analysis of District tap water to test for elevated levels of lead in order to make an adequate and useful assessment of the accuracy of the results of water samples reported by WASA.
District of Columbia Public Schools **STATUS: Ongoing**

TITLE: **SECURITY AT THE DISTRICT OF COLUMBIA PUBLIC SCHOOLS**

OBJECTIVES: Our audit objectives are to: (1) evaluate the adequacy of the internal controls over physical security; (2) determine whether laws, policies, regulations, and directives were correctly interpreted and applied in the administration of the security function; and (3) evaluate the operation's performance with regard to economy, efficiency, and effectiveness in accomplishing the security function.

JUSTIFICATION: The Mayor and the City Council have always placed a high priority on keeping our schools safe and secure. The threat of domestic and international terrorism and random acts of violence have seriously heightened the resolve to be as vigilant and informed as the ever changing events of national security demand.

NO. 42 **Department of Transportation** **STATUS: Planned**

TITLE: **MANAGEMENT REVIEW OF THE DISTRICT OF COLUMBIA DEPARTMENT OF TRANSPORTATION (DDOT)**

OBJECTIVES: The objectives of the audit are to determine whether DDOT, in relation to its operations: (1) established adequate operating regulations, procedures, and guidelines; (2) complied with laws and regulations; (3) operated in an effective and efficient manner; and (4) implemented adequate internal controls to safeguard against fraud, waste, and mismanagement.

JUSTIFICATION: The DDOT's mission is to provide reliable transportation facilities and services to commuters, residents, employees, and visitors so all can move safely and efficiently, while enhancing quality of life and the District's economic competitiveness. The DDOT is responsible for the planning and maintenance of the District of Columbia's transportation system. The infrastructure includes nearly 1,500 miles of roadway, 229 bridges, 65,000 streetlights, 1,600 signalized intersections, and 120,000 signs and markers. Taken together these assets comprise the largest tangible infrastructure in the District. DDOT's FY 2004 approved budget was \$26.5 million while the FY 2005 proposed

NO. 43 budget is \$31.6 million.
Department of Motor Vehicles **STATUS: Ongoing**

TITLE: MANAGEMENT REVIEW OF THE DISTRICT OF COLUMBIA DEPARTMENT OF MOTOR VEHICLES (DMV)

OBJECTIVES: The overall audit objective is to examine the propriety of DMV operations, specifically to review and assess DMV's: (1) operating procedures, regulations, and guidelines; (2) compliance with applicable laws and regulations; (3) effectiveness and efficiency of operations; and (4) adequacy of internal controls, which safeguard against fraud, waste, and mismanagement.

JUSTIFICATION: The Department of Motor Vehicles is charged with helping to improve the District of Columbia's economic competitiveness and quality of life by fostering the safe operation of motor vehicles on District streets in accordance with applicable laws and regulations. Currently there are over 340,000 licensed drivers and 246,000 registered vehicles in the District. The DMV issues and processes over 2.2 million tickets and conducts approximately 190,000 unscheduled, scheduled, and appeals hearings annually.

The primary function of the DMV's major organizational components are to plan, program, operate, manage, control, and maintain systems, processes, and programs that ensure the safe and efficient movement of people in the operation of vehicles within the District of Columbia. The three major organizational components, Adjudication, Customer, and Administrative Services, assist in the achievement of DMV's mission.

NO. 44 **D.C. Taxicab Commission** **STATUS: Start FY 2005**

TITLE: D.C. TAXICAB COMMISSION

OBJECTIVES: Our audit objectives are to determine whether: (1) internal controls of the D.C. Taxicab Commission were adequate to ensure that licenses were issued in accordance with applicable District laws, rules, and regulations governing the operation of taxicabs; (2) correct fees were collected, deposited, and recorded; (3) complaints and civil infractions involving public vehicles for hire were properly adjudicated; and (4) background checks of drivers and operating personnel were performed.

JUSTIFICATION: The mission of the D.C. Taxicab Commission is to ensure that the public receives safe and reliable transportation by taxicab and other means of transportation, to include limousines, sightseeing vehicles, and private ambulances.

The Taxicab Commission provides a wide assortment of information about taxicab and limousine services in the District of Columbia and surrounding areas. The Commission achieves its mission through the regulation, oversight, and enforcement of the public vehicle-for-hire industry. The Commission conducts its operations through two advisory panels, a nine-member commission, and the Office of Taxicabs.

NO. 45 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **PERFORMANCE MEASURES**

OBJECTIVE: Our audit objective is to verify the data supporting the reported achievements regarding performance measures. We will also determine the extent of implementation of internal controls to prevent or detect material errors and irregularities in reporting performance measures.

JUSTIFICATION: The performance contracts and scorecards are at the heart of the Mayor's performance management system that requires accountability for each agency and employee in order to ensure the District government is responsive to its citizens. Our previous audit found a need to improve performance measurement at District agencies. The City Administrator's Office continues to place a high priority on this project. Additionally, recent performance-based budgeting practices may have a significant impact on reporting performance measures in the District.

NO. 46 **Metropolitan Police Department** **STATUS: Start FY 2005**

TITLE: **SEIZED PROPERTY INTAKE, CUSTODY, AND DISPOSAL**

OBJECTIVES: The audit objectives are to evaluate the adequacy of the Metropolitan Police Department's (MPD) internal controls for the intake and custody of seized property/evidence that is safeguarded for use in criminal or civil prosecutable actions. We will also evaluate the

policies and procedures for custody of property seized by law enforcement personnel or property otherwise forfeited and seized under court order to determine: (1) whether law enforcement personnel follow the applicable laws related to handling forfeited and seized property; (2) whether law enforcement personnel follow the applicable laws related to the disposal and sale of seized property; and (3) how funds generated from seized and forfeited property are being used.

JUSTIFICATION: The management of custodial property at MPD requires strong internal controls to avoid the loss of criminal evidence, valuable property, or illegal property that has significant “street value” such as drugs. By focusing on the process for recording property at intake, securing property in enclosed controlled-access areas, and handling and disposal procedures, this audit will address whether the District is adequately protecting these assets.

MPD officers recover property under many different circumstances. Once the officers obtain possession of the property, they are required to classify and record it on a property record and log the item in a property tracking system. All property, except for impounded vehicles and prisoner’s property, is then transferred to the Evidence Control Branch where it is held until final disposition.

NO. 47 **Department of Health** **STATUS: Start FY 2005**

TITLE: **DISTRICT OF COLUMBIA RAT ABATEMENT PROGRAM**

OBJECTIVES: Our audit objectives are to determine: (1) the effectiveness of the rodent abatement program; and (2) compliance with requirements of applicable laws, rules, regulations, policies, and procedures.

JUSTIFICATION: The Office of Vector Control is responsible for abating the current rat population throughout the District. Areas with reported infestations are investigated to determine the source of the rat problem (alley, front yard, back yard) and then treated depending on the outcome of the inspection.

The Department of Health (DOH) standard is to investigate all Bureau of Community Hygiene requests within 15 days of the initial request date. If rats or indications of the source are found at the work area, DOH will treat the area until the infestation is fully resolved. The Rodent Control Act of 2000, a law establishing the Bureau of Community Hygiene, was passed by the Council of the District of

Columbia effective October 19, 2000. In addition to establishing the Bureau, the law prohibits practices that provide rodent habitats and specifies the procedures for abating rodent infestations.

Rats present a health hazard, in addition to being carriers of diseases. They also cause structural damage to buildings due to their ability to gnaw through almost any type of material.

IV. SUPPORT SERVICES

A. Information Systems

With few exceptions, nearly all information concerning District operations are entered into computers and managed by attendant software programs. Large centers for processing information present an operational challenge in terms of service delivery, cost, and oversight. Accordingly, we plan to evaluate several automated systems, and examine application controls, computer security, system design, and cost.

NO. 48 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **SYSTEMS REVIEW OF THE CHILD WELFARE SYSTEM**

OBJECTIVES: Our audit objectives are to assess the application controls within the D.C. Child Welfare system known as FACES to determine whether these controls provide for: (1) completeness; (2) accuracy; (3) authorization; (4) maintenance; and (5) storage of data.

JUSTIFICATION: The communication of and access to information among all pertinent parties involved with the Child Welfare system affect not only the children in the system but also the families of these children and the service workers who must provide efficient and necessary services. The District's population of foster care children can be affected by children not receiving timely services necessary for their safety and welfare.

NO. 49 **Office of the Chief Technology Officer** **STATUS: Start FY 2005**

TITLE: **UNIFIED COMMUNICATIONS CENTER (UCC)**

OBJECTIVES: Our audit objectives are to ensure that: (1) UCC operational projects are fully designed with clear objectives, including assignment of responsibilities; (2) project costs and benefits are clearly determined and properly monitored; and (3) projects are completed successfully in line with the overall plan and within budget.

JUSTIFICATION: The UCC consolidates several citywide communications and data processing operations at a new 15,000 square foot facility on the unoccupied east campus of St. Elizabeths Hospital in Ward 8. The centerpiece of the UCC is a 24-hour call center for 9-1-1 help (emergency), 3-1-1 help (non-emergency public safety), and a 727-1000 telephone number for non-emergency service request calls. Cross-trained call operators and dispatchers respond to all citywide emergency and non-emergency calls using state-of-the-art programming and communications systems specifically designed for these functions. Call systems track all public safety emergency and non-emergency calls, as well as all customer service requests. These systems also report on call center performance and coordinate reporting of traffic control and other citywide communications services and systems.

The UCC will also house the District's primary network operating center, currently at the Wilson Building, and the help desk that assists city employees with network problems. The UCC operations center will house a full complement of support functions, including network assessment, data integrity analysis, and hardware maintenance and repair. At present, the total value of the UCC project is \$171 million with an estimated completion date of 2005.

NO. 50 **Medical Assistance Administration** **STATUS: Start FY 2005**

TITLE: **AUDIT OF THE MEDICAID MANAGEMENT INFORMATION SYSTEM**

OBJECTIVES: The audit objectives are to determine whether the contractor is providing accurate and complete data to support the services and claims made available to eligible Medicaid recipients. Additionally, we will ensure that adequate controls have been implemented in the operation and maintenance of the system.

JUSTIFICATION: The District of Columbia provides medical services to eligible recipients under the Medicaid program. The one billion dollar program provides services through a fee-for-service arrangement with a wide variety of providers. Providers submit claims for payment to the contractor, who prepares the claim for processing as needed. The claims are adjudicated through the use of the District's Medicaid Management Information System (MMIS).

The MMIS is an automated management system that assists in the processing of Medicaid services and claims for all eligible recipients. The overall responsibility for day-to-day MMIS operations lies with the Medical Assistance Administration (MAA) within the Department of Health. MMIS operations include the adjudication of claims, the production of reports, and the development of check registers. The system has been operational since July 2002.

AGENCY: 51 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **DISTRICT AGENCIES' IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

OBJECTIVES: Our audit objectives are to determine whether agencies have implemented agreed-to recommendations that were intended to correct reported deficiencies and whether the reported deficiencies have been corrected.

JUSTIFICATION: The District has been subject to audits by internal and external auditors for many years. The recommendations that auditors made to correct negative conditions should have resulted in monetary benefits, more efficient and effective operations and programs, and safer environments for the public. However, audits have little value if the reported deficiencies remain uncorrected. Without implementation of the agreed-to recommendations, expected benefits likely will not occur.

B. Human Capital

People are the District's most important assets. This issue area encompasses personnel issues, benefits, hiring practices, and personnel and payroll systems.

NO. 52 **Department of Consumer and Regulatory Affairs (DCRA)** **STATUS: Start FY 2005**

TITLE: **DISTRICT OF COLUMBIA OCCUPATIONAL PROFESSIONAL LICENSING CONTRACT AND COLLECTIONS**

OBJECTIVES Our audit objectives are to evaluate DCRA's system of using contractor services for collecting professional license fees. We will

determine whether fees were properly assessed and collected; whether commissions and client waivers taken by the contractor were proper; and whether internal controls over funds transactions were effective.

JUSTIFICATION: DCRA oversees the licensing function on behalf of 10 professional boards. Professions covered by these boards include real estate agents, appraisers, accountants, architects, barbers, cosmetologists, electricians, plumbers, refrigeration and air condition mechanics, steam engineers, and veterinarian medical personnel. During our most recent financial audit of the Professional Engineers' Fund, we noted that DCRA did not report all income generated by licensing fees. This apparently occurs because DCRA has contracted with a third party organization to provide licensing application and issuance services to applicants who are seeking licenses from specific boards. We believe the differences in income generated from license fees are the result of offsets by the contractor for the contractor's commission. Approximately \$500,000 in licensing fees is generated annually.

NO. 53 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **QUALIFICATION AND BACKGROUND CHECKS FOR DISTRICT EMPLOYEES**

OBJECTIVES: Our audit objectives are to determine whether controls are in place to ensure that applicants selected for executive, managerial, and teacher positions: (1) are qualified for the position; and (2) are subjected to adequate background investigations with appropriate adjudication that provides a measure of assurance that selected individuals are trustworthy.

JUSTIFICATION: Independent District agencies and the District of Columbia Office of Personnel (DCOP), in conjunction with subordinate agencies, hire executive and managerial employees and educators based on the submission of resumes, employment applications, and other information. Collectively, this information is synthesized with an interview of prospective candidates, and a decision is then made to hire an individual. Some positions, such as those for police, fire and emergency services personnel as well as some critical information technology positions, require that the agency conduct background verifications of the prospective employee's education and experience credentials, as well as other relevant information.

Previous high visibility cases and investigations demonstrated that the District has been a victim of fraudulent educational or experience assertions by executives, managers, and educators placed in positions of trust. Governing District regulations appear to be relatively silent (with the exception of specific positions or agencies) on the requirement to perform these vital background verifications. Given the importance of the positions held and the significance of the dollars and decision authority inherent in those positions, the District stakeholder needs to be apprised as to whether adequate processes are in place that ensure competent, qualified, and trustworthy applicants are placed into positions of trust.

NO. 54 **D.C. Retirement Board** **STATUS: Ongoing**

TITLE: **MANAGEMENT OF D.C. TEACHER, POLICE, AND
FIREFIGHTER RETIREMENT PROGRAMS**

OBJECTIVES: Our audit objectives are to determine whether the D.C. Retirement Board has adequate controls, policies, and procedures in place to determine that retirement contributions from teachers, police officers, and firefighters are handled in accordance with applicable laws and regulations, and whether investment policies appear sound and reasonable.

JUSTIFICATION: The Retirement Board's primary mission is to manage and control the assets of teacher, police officer, and firefighter retirement funds. Unlike governing bodies of many other public employee retirement systems, the Retirement Board does not make benefit eligibility determinations or pension amount calculations, nor does it maintain benefit records or process payments to beneficiaries. The responsibility for administration of non-investment related components of the retirement system is vested with several agencies of the District of Columbia government.

In addition to the Retirement Board's mission to manage and control the assets of the funds, the D.C. Code imposes stringent fiduciary obligations on Retirement Board members, which include a requirement to exercise their responsibilities exclusively in the interests of the beneficiaries and participants with the care, skill, prudence, and diligence as would a prudent expert.

NO. 55 **Department of Employment Services** **STATUS: Start FY 2005**

TITLE: **WORKFORCE INVESTMENT PROGRAMS**

OBJECTIVES: The audit objectives are to determine whether the Department of Employment Services (DOES), in relation to the Workforce Development Program: (1) used federal, private, and District funds for their intended purposes; (2) implemented internal controls to ensure proper accountability and control of funds; and (3) District residents benefited from the Workforce Development Program in accordance with agency goals and program objectives.

JUSTIFICATION: The DOES proposed budget for Fiscal Year 2004 was \$88.5 million, which consisted of local, special purpose, federal, private, and District funds. In particular, DOES budgeted \$10.2 million for unemployment insurance. The audit will seek to identify whether District residents are benefiting from the Workforce Development Program.

NO. 56 **District of Columbia Housing Authority** **STATUS: Start FY 2005**

TITLE: **MANAGEMENT OF FIREARMS AND AMMUNITION**

OBJECTIVES: The objectives of the audit are to determine whether controls over firearms and ammunition are adequate to ensure: (1) that all firearms and ammunition are accounted for from acquisition to disposal; (2) firearms are managed in accordance with law and regulation; and (3) only authorized and qualified personnel are in possession of firearms.

JUSTIFICATION: The D.C. Housing Authority's Office of Public Safety (OPS) is one of only 11 housing authority police departments in the nation. The jurisdictional boundaries are concurrent with that of the Metropolitan Police Department and coextensive with the territorial boundaries of the District. OPS is a fully operational 24-hour police force which covers fixed security stations and conducts security patrols throughout the city's public housing developments. Its staff includes sworn police officers, special police officers, resident monitors, and civilian administrative support. The sworn police officers of OPS have the authority to make arrests throughout the District of Columbia. Audit coverage will help assure stakeholders that firearms and ammunition are properly managed and controlled.

NO. 57 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **MANAGEMENT OF ADMINISTRATIVE PAY**

OBJECTIVES: Our audit objectives are to evaluate the process followed within the District to determine why employees are placed in an administrative leave with pay status and remain in this status for extended periods of time without action or resolution of their cases and to determine whether untimely resolutions cause unwarranted costs.

JUSTIFICATION: During an ongoing audit at DCPS, we noted that DCPS employees are placed on administrative leave with pay for a variety of reasons. The length of time an employee is in this status varies depending on the circumstances surrounding the incident. The process, while not outwardly complex, is time consuming. In some instances, we noted that employees were in the administrative leave with pay status for prolonged periods. The process for reviewing and resolving incidents may have systemic problems that can be addressed through an audit. Additionally, other agencies may be experiencing these same issues. Costs associated with placing employees in an administrative leave with pay status include the cost of downtime to the agency, the cost to employ a temporary employee, and the possibility of incurring overtime expenses of other staff.

NO. 58 **Multi-Agency** **STATUS: Start FY 2005**

TITLE: **PENSION PAYMENTS TO DECEASED BENEFICIARIES**

OBJECTIVES: Our audit objectives are to determine: (1) if improper pension and survivor payments have been made; (2) if adequate controls are in place to prevent improper pension and survivorship payments; and (3) if there is evidence of fraud.

JUSTIFICATION: A FY 2004 audit of the 401(a) Defined Contribution Plan was performed, but did not address payments to deceased pensioners. Pension systems that do not have adequate internal controls for early detection of payments to deceased beneficiaries create a climate that facilitates fraud and improper payments. In addition, payments that are made by direct deposit and checks could be susceptible to fraud.

V. AUDITS REQUIRED BY LAW

Various laws require the OIG to perform specific annual audits, some of which must be performed only by contracts with Certified Public Accounting (CPA) firms. Largest among the required audits is the Comprehensive Annual Financial Report. The OIG contracts for, monitors, and provides oversight of the performance of that audit, which is conducted by a private CPA firm licensed in the District. In addition, the District's annual appropriation often includes language that requires the OIG to conduct one-time audits.

A. Financial Integrity

The fiscal health of the city is directly linked to the integrity of its financial books and records. This issue area has come under greater scrutiny because of recent reporting lapses of various business institutions. In addition to providing oversight of the Comprehensive Annual Financial Report, we plan to conduct audits regarding several funds, which are required by District and federal laws.

NO. 59 **Multi-Agency** **STATUS: Ongoing/
Start FY 2005**

TITLE: **COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
FOR FY 2004**

OBJECTIVES: The objective of this engagement is to secure services of an independent CPA firm to perform the annual audit of the District government's financial statements. Once a contractor is selected, the OIG is to provide oversight of the progress of the audit and deal with any issues that may arise from the audit or that may prevent the audit from being completed timely. The OIG chairs the audit oversight committee, conducting frequent meetings with committee members and interacting with the CFO and CPA firm throughout the audit engagement.

In fulfilling our oversight role, the OIG is responsible for: (1) monitoring the reliability and integrity of the CFO's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance; (2) monitoring the independence

and performance of the District's independent auditors; and (3) providing an open avenue of communication among the auditors, the Executive Office of the Mayor, the D.C. Council, the CFO, and other District management officials.

JUSTIFICATION: The CAFR must be submitted to the Mayor and the Council of the District of Columbia on or before February 1st of each year following the end of the fiscal year being audited. Immediate and continued access to records and personnel by the audit firm is required to provide audit and other professional assistance and to avoid disruption of the District's financial operations. In addition to the District's General Fund, the following District agencies or entities (component units) are required to be included in the CAFR audit:

- D.C. Public Schools (CAFR and CAFR Preparation)
- D.C. Sports Complex (Financial Statements)
- D.C. Lottery Board (Financial Statements)
- Department of Employment Services (Unemployment Compensation Fund – Financial Statements)
- Department of Employment Services (Disability Compensation Fund – Actuarial Study)
- Washington Convention Center Authority (Financial Statements)
- University of the District of Columbia/D.C. Law School (Financial Statements)
- D.C. Water and Sewer Authority (Financial Statements)*
- D.C. Retirement Board (Financial Statements and Actuarial Study)*
- D.C. Housing Finance Agency (Financial Statements)*

* These agencies and entities will arrange to secure separate audit firms to perform the required services.

NO. 60 **Department of Housing and Community Development** **STATUS: Ongoing/ Start FY 2005**

TITLE: **HOME PURCHASE ASSISTANCE FUND**

OBJECTIVES: The objectives of this financial statement audit are to determine whether monies in the Home Purchase Assistance Fund have been accounted for properly and whether persons obtaining loans under this program meet the qualifications under existing policies and procedures.

JUSTIFICATION: D.C. Code § 42-2605 (2001) requires the D.C. Inspector General to conduct an annual audit of this fund. The Mayor is required to report on the financial condition of this program to Congress and the Council within 6 months after the end of the preceding fiscal year.

NO. 61 **Department of Consumer and Regulatory Affairs** **STATUS: Ongoing/
Start FY 2005**

TITLE: **PROFESSIONAL ENGINEERS' FUND**

OBJECTIVES: The overall audit objectives are to determine whether: (1) the Professional Engineers' Fund was maintained in accordance with the D.C. Code; and (2) engineer fees were properly accounted for and expended during the fiscal year.

JUSTIFICATION: This audit is required pursuant to D.C. Code §§ 47-2886.02(6) and 47-2886.13(d) (2001). Section 47-2886.13(d) states, in pertinent part: "[i]t shall be the duty of the Office of the Inspector General of the District of Columbia to audit annually the accounts of the Board and to make a report thereof to the Mayor." Section 47-2886.02(6) defines "Board" as "the District of Columbia Board of Registration for Professional Engineers."

NO. 62 **Office of the Attorney General** **STATUS: Ongoing/
Start FY 2005**

TITLE: **DISTRICT OF COLUMBIA ANTIFRAUD FUND**

OBJECTIVES: Our audit objectives are to determine whether the District properly accounted for payments due to the Antifraud Fund (Fund) and deposited monies received on a timely basis for Fund activity during the fiscal year.

JUSTIFICATION: The Procurement Reform Act of 1998, as codified at D.C. Code § 2-308.20 (2001), requires the Office of the Inspector General to audit the Fund annually. The Fund is comprised of deposits resulting from criminal fines, civil penalties, and damages collected from false claim recoveries.

NO. 63 **Department of Public Works** **STATUS: Ongoing/
Start FY 2005**

TITLE: **DISTRICT OF COLUMBIA HIGHWAY TRUST FUND AND
FIVE-YEAR FORECAST**

OBJECTIVES: The objectives are to perform an audit for the purpose of expressing an opinion on the financial statements of the District of Columbia Highway Trust Fund (Fund) for the fiscal year, and to perform an examination of the forecasted statements of the Fund's expected conditions and operations for the next 5 years.

JUSTIFICATION: D.C. Code § 9-109.02(e) requires the D.C. Inspector General to submit a report on the results of its audit of the financial statements of the Fund. The report is due to Congress on February 1st of each year for the preceding fiscal year.

THE INSPECTION AND EVALUATION PROCESS

THE INSPECTION AND EVALUATION PROCESS

Consistent with the Mayor's initiative to review, evaluate, and improve performance standards in all components of the District of Columbia government, the Inspections and Evaluations (I&E) Division is dedicated to providing decision makers with objective, thorough, and timely evaluations of District agencies and programs, and to making recommendations that will assist those agencies in achieving operational efficiency, effectiveness, and economy.

I&E has proven to be an effective mechanism for identifying weaknesses in agency operations; ensuring compliance with applicable laws, regulations and policies; identifying accountability; recognizing excellence; and promoting improvement in the delivery of services to District residents. The Division plans to complete inspections that focus on delivery of citizen services and the implementation of inspection recommendations to correct reported deficiencies.

The Federal Model

I&E follows the inspection process adhered to by most federal OIGs and endorsed by the President's Council on Integrity and Efficiency. This process includes an official announcement letter to the agency head; an entrance conference where agency officials can alert the inspection team to areas that are of concern to management and where the parameters of the inspection are defined; surveys and focus groups, where appropriate; fieldwork, findings, and recommendations in a draft Report of Inspection (ROI) which is reviewed and commented on by agency management; a final ROI; and an exit conference. During the course of an inspection, management will be advised by means of Management Alert Reports of any significant findings that the inspection team believes require immediate attention.

Inspections result in a ROI with findings and recommendations that focus on correcting noted operational deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents. Inspections have little value, however, if the reported deficiencies remain uncorrected.

OIG Inspections and Reports

While mechanically similar to the audit process, inspections typically have a broader scope, often evaluating *all* of the key operations of an agency in order to help managers improve diverse policies, programs, and procedures. On the other hand, an audit is generally more narrowly focused and directed toward one or more specific operational or financial issues. An inspection combines some of the best features of several disciplines, including management analysis, traditional program evaluation, audits, survey research, program monitoring, and compliance reviews.

Follow-up, Compliance, and Re-inspections

The Inspections and Evaluations Division tracks agency compliance with recommendations resulting from an inspection. A *Findings and Recommendations Compliance Form* is issued for each finding and recommendation, along with the Report of Inspection, so agencies can record and report actions taken on I&E recommendations. Agencies are asked to provide target dates for completion of required actions, document when recommendations have been complied with, describe the action taken, and ensure that the forms are validated by the signature of the responsible agency official. Re-inspections are conducted after an agency has had a significant period of time in which to carry out agreed-upon recommendations. This typically occurs a year or longer after the initial inspection. A re-inspection report is then issued that summarizes agency progress in complying with original recommendations and notes any new areas of concern in agency operations.

Additional Reporting and Alerts

In addition to reports issued upon the completion of inspections and re-inspections, the OIG issues three special reports as required:

- Management Alert Reports (MAR);
- Management Implication Reports (MIR); and
- Fraud Alert Reports (FAR)

A MAR is a report that is issued to alert the head of an agency to a serious problem that should be addressed quickly during the inspection. It is intended to generate a quick reaction from management, especially when the issue highlighted involves health or safety.

A MIR is a report that is issued during or at the completion of an inspection alerting all District agencies of a potential problem which may be occurring or has the potential to occur in their particular agency.

A FAR is a report alerting District agencies to a fraudulent scheme found in one agency that may exist in multiple District agencies, and warns them to be “on the lookout” for this or similar schemes.

**INSPECTIONS AND EVALUATIONS
THEME/AGENCY INDEX**

FISCAL YEAR 2005 INSPECTION AND EVALUATION PLAN

Theme/Issue Area/Review Title	A G E N C Y	S T A T U S ²	P A G E
I. Delivery of Citizen Services			
A. Core Services			
1. Inspection of the Department of Consumer and Regulatory Affairs (DCRA), Housing Regulation Administration	CR	O	84
2. Inspection of the Department of Consumer and Regulatory Affairs, Building and Land Regulation Administration	CR	P	84
3. Inspection of DCRA, Business and Professional Licensing Administration	CR	P	85
4. Inspection of the Office of Contracting and Procurement Commodity- Buying Groups: Building Renovation and Construction, IT Related Equipment and Services, General Services and the D.C. Supply Schedule, and Transportation and Specialty Equipment	PO	P	85
5. Inspection of the Office of Contracting and Procurement Commodity- Buying Groups: Human Care Supplies and Services, Professional Services and Public Safety, Highways and Structure, the D.C. Government Preparedness Contracting Office and the Local, Small Disadvantaged Business Enterprises Program	PO	P	86
6. Re-Inspection of the Department of Public Works, Fleet Management Administration	KA	O	86
7. Re-Inspection of the Department of Parks and Recreation	HA	P	87
8. Re-Inspection of the Department of Corrections (DOC), Central Detention Facility	FL	P	88

² “O” indicates the review is ongoing as of September 1, 2004, and “P” indicates the review is planned to start in FY 2005.

**PLANNED AND ONGOING
INSPECTIONS AND EVALUATIONS**

I. DELIVERY OF CITIZEN SERVICES

In the last few years, we have increased inspection and evaluation coverage of agencies responsible for delivery of essential citizen services. In FY 2005, we plan to continue inspections and evaluation coverage for key District service organizations. The common goal of these reviews will be to improve the efficiency and effectiveness of municipal services that are vital to District residents and other stakeholders.

A. Core Services

The FY 2005 Inspection Plan includes OIG initiatives for inspection coverage that are consistent with the Mayor's initiative to review, evaluate, and improve performance standards in all components of the District of Columbia government.

I&E plans to complete an ongoing inspection of the management and operations of the Department of Consumer and Regulatory Affairs in addition to an inspection of the management and operations of the Office of Contracting and Procurement.

I&E will also complete an ongoing re-inspection of the Department of Public Works (DPW) Fleet Management Administration and will commence re-inspections of the Department of Parks and Recreation (DPR), and the Department of Corrections. The DPW and DPR re-inspections were planned for FY 2004, but were postponed in order to carry out unplanned inspections assigned higher priority. In addition to assessing agency compliance with our original recommendations, we also will report on any current issues or problems that necessitate the attention of agency management and other District stakeholders. Should time and resources permit, other agencies will be added to this plan.

NO. 1	Department of Consumer and Regulatory Affairs	STATUS: Ongoing
TITLE:	INSPECTION OF THE DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS (DCRA) HOUSING REGULATION ADMINISTRATION (HRA)	
AGENCY MISSION:	DCRA is the District of Columbia's regulatory agency. DCRA ensures the health, safety, and economic welfare of District residents through licensing, inspection, compliance, and enforcement programs. HRA administers the laws and regulations governing rental housing, condominium and cooperative sales and conversions, and housing standards, including the abatement of lead-based paint hazards. HRA's Neighborhood Stabilization Program (NSP) monitors District neighborhoods for housing code violations and works with citizen groups to improve District neighborhoods.	
OBJECTIVES:	The inspection objectives are to evaluate the overall sufficiency and quality of DCRA policies and procedures, assess the operational effectiveness of HRA, evaluate the quality of service delivery, and determine the sufficiency of internal controls.	

NO. 2	Department of Consumer and Regulatory Affairs	STATUS: Start FY 2005
TITLE:	INSPECTION OF THE DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS, BUILDING AND LAND REGULATION ADMINISTRATION (BLRA)	
AGENCY MISSION:	BLRA regulates all building and land use within the District of Columbia to ensure safety and conformity to local and federal laws and regulations. BLRA manages permit processing, building inspections, and zoning programs covering new construction, alterations, repairs, and use of commercial and residential buildings.	
OBJECTIVES:	The inspection objectives are to evaluate the overall sufficiency and quality of BLRA policies and procedures; assess operational effectiveness; evaluate the quality of service delivery; and determine the sufficiency of internal controls.	

NO. 8 **Department of Corrections** **STATUS: Start FY 2005**

TITLE: **RE-INSPECTION OF THE DEPARTMENT OF
CORRECTIONS (DOC), CENTRAL DETENTION FACILITY**

OBJECTIVE: The re-inspection objective is to verify implementation of recommendations and actions taken by DOC in response to our initial inspection report (OIG No. 02-00002FL), issued in October 2002. Recommendations were made in areas such as court ordered compliance and monitoring, the handling of inmate records, health and safety, inmate case management, and capital improvement projects.

JUSTIFICATION: The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Recommendations in each Report of Inspection focus on correcting noted deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents.

The initial inspection of DOC found, among other things, that inmate case records contained inaccurate information, DOC was unable to locate inmate files, health and safety hazards continue to go unabated, and case managers work without basic resources.