

**TESTIMONY OF THE
D.C. INSPECTOR GENERAL (INTERIM)**

**BEFORE THE DISTRICT OF COLUMBIA CITY COUNCIL
COMMITTEE ON GOVERNMENT OPERATIONS
JANUARY 28, 2004**

GOOD MORNING, MR. CHAIRMAN AND COMMITTEE MEMBERS. THANK YOU FOR THE OPPORTUNITY TO ADDRESS THE COMMITTEE ON GOVERNMENT OPERATIONS REGARDING THE COMPLIANCE BY THE OFFICE OF THE INSPECTOR GENERAL (OIG) WITH THE DISTRICT OF COLUMBIA'S LOCAL, SMALL, AND DISADVANTAGED BUSINESS ENTERPRISES (LSDBE) PROGRAM.

AS IN PREVIOUS YEARS, THE OIG FULLY SUPPORTS THE LSDBE PROGRAMS AND ITS VALUABLE CONTRIBUTION TO THE ECONOMIC DEVELOPMENT PLAN OF THE DISTRICT OF COLUMBIA.

OIG POLICY

IT IS THE OIG'S POLICY TO GIVE PRIORITY CONSIDERATION TO LSDBEs WHEN SELECTING VENDORS DURING THE PROCUREMENT PROCESS. THE POLICY IS BASED ON THE EQUAL OPPORTUNITY FOR LOCAL, SMALL, AND DISADVANTAGED BUSINESS ENTERPRISES ACT OF 1998, AS AMENDED; AND CHAPTER 800, TITLE 27, OF THE DISTRICT OF COLUMBIA MUNICIPAL REGULATIONS. THE OIG POLICY ALSO

INCORPORATES THE INTENT OF DC CODE SECTION 2-303.01, WHICH PROVIDES A PREFERENCE TO DISTRICT BASED BUSINESSES.

CURRENTLY THE INSPECTOR GENERAL'S PERFORMANCE REQUIREMENTS DO NOT CONTAIN A STANDARD FOR ENSURING LSDBE COMPLIANCE. HOWEVER, THE FORMER INSPECTOR GENERAL DELEGATED THE RESPONSIBILITY OF ENSURING LSDBE COMPLIANCE TO THE OFFICE'S CHIEF OF CONTRACTS AND PROCUREMENTS. THE CHIEF IS THE FOCAL POINT FOR ALL OIG PROCUREMENT ACTIONS AND, AS SUCH, DETERMINES IF AN LSDBE VENDOR CAN BE CONSIDERED FOR INDIVIDUAL PROCUREMENT ACTIONS. THUS, TO ACCOMPLISH ITS GOAL TOWARD LSDBEs, THIS RESPONSIBILITY HAS BEEN INCORPORATED INTO THE CHIEF'S PERFORMANCE PLAN.

EXPENDABLE BUDGET AND ACCOMPLISHMENTS
FISCAL YEAR 2003

WE INITIALLY ESTABLISHED OUR EXPENDABLE BUDGET FOR FISCAL YEAR 2003 AT \$305,900 WITH AN LSDBE GOAL OF \$152,950 (50 % OF THE EXPENDABLE BUDGET). IN AUGUST 2003, WE INCREASED THE EXPENDABLE BUDGET TO \$578,468 AND THE LSDBE GOAL TO \$289,232 AFTER THE CONTRACTOR AUDITING THE DISTRICT'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) NOTIFIED US THAT IT WOULD PROVIDE AT LEAST 30 PERCENT OF ITS ANNUAL AWARD TO LSDBE SUBCONTRACTORS. IN SEPTEMBER, THE

CONTRACTOR PROVIDED A LIST OF THE AWARDS IT MADE TO LSDBE SUBCONTRACTORS. THE TOTAL AWARD AMOUNTS WERE WELL IN EXCESS OF THE 30 PERCENT. IN ALL, WE AWARDED \$781,000 TO 17 LSDBE VENDORS THUS EXCEEDING OUR GOAL BY 271 PERCENT. THE FIGURES BEING REPORTED HAVE BEEN RECONCILED WITH DATA IN THE OFFICE OF LOCAL BUSINESS DEVELOPMENT.

OF THE TOTAL \$781,000 AWARDED TO THE 17 LSDBE VENDORS DURING FY 2003, \$777,200 - OR 99.5 PERCENT - WAS AWARDED TO 15 VENDORS LOCATED WITHIN THE DISTRICT CITY LIMITS. WE USED EACH VENDOR'S LSDBE CERTIFICATION ON FILE WITH THE OFFICE OF LOCAL BUSINESS DEVELOPMENT TO DETERMINE ITS LOCATIONS.

WE ALSO MADE TELEPHONE CALLS TO THE 17 VENDORS TO DETERMINE IF THE VENDORS EMPLOYED DISTRICT RESIDENTS. OF THE 17 VENDORS CONTACTED, 16 RESPONDED TO OUR CALLS. BASED ON THE INFORMATION THEY PROVIDED, WE DETERMINED THAT 14 VENDORS EACH EMPLOYED BETWEEN 1 TO 34 DISTRICT RESIDENTS. WE AWARDED \$629,800 OR 81 PERCENT OF TOTAL AWARDS TO THE 14 VENDORS.

OUR REVIEW OF THE CERTIFICATIONS FOR THE 17 VENDORS ALSO SHOWED THAT:

- ALL 17 VENDORS (100 PERCENT) WERE CERTIFIED AS SMALL BUSINESSES;
- 16 OF THE 17 VENDORS (94 PERCENT) WERE LOCAL BUSINESS ENTERPRISES; AND
- 7 OF THE 17 VENDORS (41 PERCENT) WERE DISADVANTAGED BUSINESS ENTERPRISES.

FUTURE LSDBE GOALS

THE OIG ALSO SEEKS TO MEET ITS LSDBE GOAL IN FUTURE YEARS. FOR FY 2004, THE CONTRACTOR PERFORMING THE CAFR REVIEW HAS AGAIN AGREED TO PROVIDE AT LEAST 30 PERCENT OF ITS AWARD TO LSDBE SUBCONTRACTORS. THIS AMOUNT IS REFLECTED IN THE LSDBE EXPENDABLE BUDGET AND GOAL FOR FY 2004.

FOR FY 2005, THE OIG WILL BE ISSUING A REQUEST FOR PROPOSAL (RFP) TO SOLICIT BIDDERS FOR A NEW CAFR CONTRACT. THE RFP AND NEW CONTRACT WILL INCLUDE A REQUIREMENT THAT THE PRIME CONTRACTOR MUST PROVIDE AT LEAST 30 PERCENT OF ITS AWARD TO LSDBE SUBCONTRACTORS.

IN ADDITION TO THE OIG'S COMPLIANCE WITH THE LSDBE PROGRAM, WE CONTINUE TO POINT OUT THE ADVANTAGES OF THE DISTRICT'S

LSDBE PROGRAM TO LOCAL BUSINESSES AND ENCOURAGE THEIR PARTICIPATION IN THE PROGRAM. WE HAVE ALSO DISTRIBUTED LSDBE PAMPHLETS AND OTHER INFORMATION TO VENDORS INDICATING AN INTEREST IN APPLYING FOR THE PROGRAM.

CONCLUSION

THAT CONCLUDES MY TESTIMONY ON THE OIG'S SUPPORT OF THE DISTRICT'S LSDBE PROGRAM. AT THIS TIME, I AM PREPARED TO ANSWER ANY QUESTIONS YOU MAY HAVE.