

**TESTIMONY OF CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

**BEFORE THE D.C. COUNCIL
COMMITTEE ON PUBLIC SERVICES AND CONSUMER AFFAIRS**

**OVERSIGHT HEARING –
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
MARCH 1, 2007 – 1:30PM – ROOM 500**

GOOD AFTERNOON CHAIRPERSON CHEH AND MEMBERS OF THE COMMITTEE. I WELCOME THIS OPPORTUNITY TO SHARE WITH YOU THE RESULTS OF OUR TWO-PART INSPECTION OF THE DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS. SEATED AT THE TABLE WITH ME ARE ALVIN WRIGHT, ASSISTANT INSPECTOR GENERAL FOR INSPECTIONS AND EVALUATIONS; EDWARD FARLEY, DEPUTY ASSISTANT INSPECTOR GENERAL FOR INSPECTIONS AND EVALUATIONS; AND LENA COCKFIELD, DIRECTOR OF PLANNING AND INSPECTIONS. OUR TESTIMONY TODAY WILL HIGHLIGHT THE INSPECTION TEAM'S MOST CRITICAL FINDINGS FROM OUR TWO REPORTS OF INSPECTION THAT WERE PUBLISHED IN AUGUST AND SEPTEMBER 2006.

BACKGROUND

THE INSPECTIONS AND EVALUATIONS DIVISION (I&E) OF THE OFFICE OF THE INSPECTOR GENERAL (OIG) BEGAN AN INSPECTION OF THE DISTRICT OF COLUMBIA DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS (DCRA) IN JUNE 2004.

DUE TO THE SIZE AND DIVERSITY OF DCRA'S PROGRAMS AND ITS CORRESPONDING RESPONSIBILITIES, OUR INSPECTION ACTIVITIES WERE DIVIDED INTO TWO PARTS, AND WE ISSUED TWO SEPARATE REPORTS. PART ONE ADDRESSED DCRA'S HOUSING REGULATION ADMINISTRATION (HRA); THE RENTAL HOUSING COMMISSION; AND THE NEIGHBORHOOD STABILIZATION PROGRAM, HRA'S PRIMARY INITIATIVE. PART ONE OF THE INSPECTION ALSO COVERED DCRA'S FINE COLLECTION PROCESSES AND OTHER MANAGEMENT ISSUES THAT AFFECT OVERALL AGENCY OPERATIONS.

PART II OF THE INSPECTION, FOR WHICH FIELDWORK WAS CONDUCTED FROM FEBRUARY TO AUGUST 2005, FOCUSED ON MANAGEMENT, OPERATIONS, AND ACCOUNTABILITY IN KEY AREAS OF THE BUSINESS AND PROFESSIONAL LICENSING ADMINISTRATION, INCLUDING: THE OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION (OPLD); THE BUSINESS SERVICES DIVISION (BSD); THE CORPORATIONS DIVISION; AND THE OFFICE OF COMPLIANCE AND ENFORCEMENT (OCE).

THE TWO REPORTS OF INSPECTION CONTAINED A TOTAL OF 44 FINDINGS AND 81 RECOMMENDATIONS. BOTH REPORTS, WHICH INCLUDE DCRA'S COMMENTS VERBATIM, ARE AVAILABLE ON THE OIG'S WEBSITE. I WILL NOW DISCUSS EACH REPORT'S MOST CRITICAL FINDINGS.

REPORT OF INSPECTION – PART I

FINDING: AS OF AUGUST 2004, DCRA WAS OWED OVER \$8.8 MILLION IN UNPAID FINES AND PENALTIES, BUT HAD NO COHESIVE PROCEDURES OR STRATEGIES FOR COLLECTING THESE FUNDS. DCRA PROVIDED THE TEAM WITH A REPORT SHOWING THAT OVER 22,000 DCRA NOTICES OF INFRACTION WERE UNPAID. THE REPORT ASSESSED THE TOTAL VALUE OF THESE INFRACTIONS AND ASSOCIATED PENALTIES AT \$8.825 MILLION. THE TEAM FOUND THAT THERE WAS NO COHESIVE, AGENCY-WIDE PROCESS TO RECOUP OUTSTANDING FINES AND PENALTIES. THE ABSENCE OF AN AGGRESSIVE, STANDARDIZED COLLECTION MECHANISM SIGNIFICANTLY WEAKENED THE AGENCY'S ABILITY TO CAPTURE REVENUE THAT COULD BE RETURNED TO THE DISTRICT'S GENERAL FUND. THE OIG RECOMMENDED THAT DCRA DEVISE A STRATEGY FOR PRIORITIZING AND PURSUING OUTSTANDING FINES AND PENALTIES. IN RESPONSE TO OUR REPORT, DCRA STATED THAT AN AUDIT TO DETERMINE WHICH FINES AND PENALTIES ARE VIABLE FOR COLLECTION WOULD BE COMPLETED BY THE END OF FISCAL YEAR 2006.

FINDING: DCRA'S USE OF PAID OVERTIME WAS INEFFICIENT AND POORLY SUPERVISED. THE INSPECTION TEAM REVIEWED A SUMMARY OF DCRA'S OVERTIME EXPENSES FOR FY 2003, ALONG WITH A SAMPLING OF EMPLOYEE TIMESHEETS AND OVERTIME REQUEST FORMS. THESE DOCUMENTS REVEALED LAPSES IN FISCAL OVERSIGHT, APPARENT VIOLATIONS OF D.C.

GOVERNMENT OVERTIME REGULATIONS, AND QUESTIONABLE USES OF OVERTIME. DCRA SUPERVISORS ROUTINELY APPROVED, OFTEN WEEKS IN ADVANCE, OVERTIME REQUESTS SUBMITTED WITHOUT JUSTIFICATION, OR WITH INADEQUATE JUSTIFICATION. SEVERAL THOUSAND HOURS OF OVERTIME WERE CONSUMED IN ORDER TO PERFORM SEEMINGLY ROUTINE TASKS, AND EMPLOYEES IN VARIOUS DEPARTMENTS OF DCRA OFTEN WERE PAID FOR 14- AND 16-HOUR WORKDAYS. IN RESPONSE TO OUR REPORT, DCRA STATED IT WOULD IMPLEMENT NEW OVERTIME POLICIES AND PROCEDURES IN THE FIRST QUARTER OF FISCAL YEAR 2007.

FINDING: DCRA'S REMOTE ACCESS PROPERTY INSPECTION AND DISPATCH SYSTEM (RAPIDS), A MISSION-CRITICAL COMPUTER APPLICATION, WAS NOT FUNCTIONING AS IT WAS ORIGINALLY DESIGNED, AND SYSTEM MALFUNCTIONS DELAYED THE ISSUANCE OF HOUSING CODE VIOLATIONS. DCRA HOUSING INSPECTORS OFTEN DID NOT HAVE ACCESS TO RAPIDS WHILE IN THE FIELD. THE SYSTEM ALSO DID NOT PERFORM RELIABLY IN DCRA OFFICES, AND COULD NOT PRINT HOUSING CODE VIOLATIONS ON-SITE AS ORIGINALLY PLANNED.

FINDING: EMPLOYEES THROUGHOUT DCRA WERE NOT FOLLOWING CASH HANDLING PROCEDURES. ACCORDING TO DCRA'S CHIEF FINANCIAL OFFICER (CFO), DCRA EMPLOYEES WERE NOT COMPLYING WITH CASH HANDLING POLICIES AND PROCEDURES. THE CFO STATED THAT DESPITE

POLICIES TO THE CONTRARY, AGENCY STAFF MEMBERS CONTINUED TO HANDLE CHECKS MAILED DIRECTLY TO THEM BY CUSTOMERS, AND TO RECEIVE CASH PRESENTED BY WALK-IN CUSTOMERS. THE CFO STATED THAT EMPLOYEES' FAILURES TO ADHERE TO WRITTEN POLICIES AND PROCEDURES RESULTED IN DELAYS IN DEPOSITING REVENUE AND REDUCED INTEREST EARNINGS ON DEPOSITS. THESE PRACTICES COULD ALSO LEAD TO UNDERSTATEMENT OF REVENUES AND CREATE OPPORTUNITIES FOR THEFT.

FINDING: THE HUMAN RESOURCES DIVISION DID NOT HAVE PERFORMANCE STANDARDS FOR EACH DCRA EMPLOYEE. THE LACK OF WRITTEN PERFORMANCE STANDARDS PREVENTED DCRA MANAGEMENT FROM ADEQUATELY ASSESSING WHETHER EMPLOYEES WERE SUFFICIENTLY PERFORMING THEIR DUTIES.

FINDING: THE OFFICE OF THE RENT ADMINISTRATOR (ORA) HAD NO TRACKING SYSTEM TO PROACTIVELY VERIFY RENTS CHARGED FOR PROPERTIES SUBJECT TO THE RENT STABILIZATION PROGRAM. IN ITS WRITTEN COMMENTS, DCRA CITED PLANS FOR A NEW RENT CONTROL TRACKING COMPUTER DATABASE THAT WOULD ALLOW DCRA TO BETTER MONITOR THE RENT CONTROL PROCESS, AUDIT PROCEDURES, AND MAKE TIMELY OPERATIONAL CHANGES AND LEGISLATIVE RECOMMENDATIONS.

FINDING: THE HOUSING REGULATION ADMINISTRATION'S OVERSIGHT OF FUNDING AND BUILDING SUPPLIES FOR ABATEMENT PROJECTS IN THE REHABILITATION BRANCH WAS INADEQUATE. THE TEAM FOUND SIGNIFICANT DEFICIENCIES IN HRA'S OVERSIGHT OF THE REHABILITATION BRANCH. HRA USES LOCAL COMPANIES TO ABATE HOUSING CODE VIOLATIONS WHERE PROPERTY OWNERS HAVE REPEATEDLY IGNORED DCRA-ISSUED NOTICES OF INFRACTION. THE TEAM FOUND CONFLICTING JOB COST AND PAYMENT INFORMATION, AND THAT BUILDING SUPPLIES, PROVIDED AND PAID FOR BY DCRA FOR USE IN THESE ABATEMENT PROJECTS, HAD NOT BEEN PROPERLY INVENTORIED OR ACCOUNTED FOR. DCRA STATED THAT IT WOULD ESTABLISH POLICIES AND PROCEDURES TO ENSURE THAT TIMELY INVENTORIES OF BUILDING MATERIALS WOULD BE CONDUCTED, AND THAT ABATEMENT FUNDS WOULD BE AUDITED ANNUALLY.

FINDING: THE CUSTOMER SERVICE CALL CENTER HAD A MALFUNCTIONING AND INADEQUATE TELEPHONE TRACKING SYSTEM. DCRA'S CALL SERVICE CENTER SYSTEM WAS OUTDATED AND LACKED EQUIPMENT REQUIRED TO CONDUCT BUSINESS EFFECTIVELY. THE SYSTEM WAS OFTEN DOWN FOR PERIODS OF TIME, AND CUSTOMERS WHO CALLED DCRA FOR INFORMATION COMPLAINED OF DROPPED CALLS. DCRA STATED THAT A PROJECT TO INSTALL NEW SOFTWARE AND EQUIPMENT IN THE CALL CENTER WOULD BE COMPLETED BY THE END OF FY 2006.

FINDING: THE OFFICE OF THE GENERAL COUNSEL WAS NOT TRACKING COMPLAINTS INVESTIGATED BY DCRA THROUGH TO RESOLUTION AND CLOSURE. AT THE TIME OF THE INSPECTION, THE OFFICE OF THE GENERAL COUNSEL WAS RESPONSIBLE FOR RECEIVING COMPLAINTS AGAINST LICENSED BUSINESSES WHEN THERE WERE ALLEGATIONS OF FAILURE TO COMPLY WITH ANY PROVISION OF A GOVERNING LICENSING STATUTE OR REGULATION. DUE TO THE LACK OF AN EFFECTIVE COMPLAINT RESOLUTION TRACKING SYSTEM, CONSUMERS COULD NOT BE ASSURED THAT THEIR COMPLAINTS WERE INVESTIGATED AND RESOLVED.

FINDING: THE RESULTS OF THE OIG'S SURVEY OF DCRA EMPLOYEES REFLECTED FRUSTRATION WITH HIRING PRACTICES AND A PERCEPTION THAT THERE ARE NO OPPORTUNITIES FOR PROMOTION. BASED ON A TABULATION OF THE SURVEY RESPONSES, ALONG WITH WRITTEN COMMENTS THAT WERE INCLUDED WITH A NUMBER OF COMPLETED SURVEYS, THE TEAM IDENTIFIED EMPLOYEE CONCERNS THAT WARRANTED ATTENTION FROM DCRA MANAGEMENT. RESPONDENTS EXPRESSED STRONG MISTRUST AND FRUSTRATION WITH HIRING AND PROMOTION PRACTICES WITHIN DCRA.

REPORT OF INSPECTION – PART II

PART II OF THE INSPECTION FOCUSED ON MANAGEMENT, OPERATIONS, AND ACCOUNTABILITY IN KEY AREAS OF THE BUSINESS AND PROFESSIONAL LICENSING ADMINISTRATION (BPLA). THESE AREAS INCLUDED OPLD, THE BUSINESS SERVICES DIVISION, THE CORPORATIONS DIVISION, THE PROFESSIONAL LICENSING AND REGULATORY BOARDS, AND THE VENDING AND SPECIAL EVENTS DIVISION (VSED). PART II OF THE INSPECTION ALSO REVIEWED THE OPERATIONS OF DCRA’S OFFICE OF COMPLIANCE AND ENFORCEMENT IN ORDER TO ADDRESS CERTAIN INVESTIGATIVE AND ENFORCEMENT ASPECTS OF BPLA OPERATIONS.

FINDING: DCRA DID NOT EXERCISE SUFFICIENT OVERSIGHT OF THE LICENSING PROCESS FOR NON-MEDICAL PROFESSIONALS. THE OPLD IS RESPONSIBLE FOR REVIEWING NON-MEDICAL LICENSE APPLICATIONS, ADMINISTERING EXAMINATIONS, MAINTAINING RECORDS, AND RESPONDING TO LICENSING CERTIFICATION REQUESTS FROM OTHER JURISDICTIONS. OPLD WAS OUTSOURCING THE DATA COLLECTION AND APPLICATION REVIEW PROCESS TO A VENDOR LOCATED OUTSIDE OF THE DISTRICT. THE TEAM FOUND THAT OPLD WAS NOT PROVIDING SUFFICIENT AND SYSTEMATIC OVERSIGHT OF THE VENDOR’S OPERATIONS TO ENSURE THE QUALITY AND INTEGRITY OF THE LICENSING PROCESS AND THE COLLECTION OF APPLICATION FEES.

FINDING: DCRA WAS NOT AUDITING THE VENDOR'S MONTHLY REPORTS OF APPLICATION FEES COLLECTED, AND AS A RESULT, WAS AT RISK OF NOT RECEIVING THE CORRECT AMOUNT OF LICENSING REVENUE. UNDER THE PROVISIONS OF THE LICENSING CONTRACT, APPLICANTS SUBMITTED FEES DIRECTLY TO THE VENDOR. THESE FEES WERE DEPOSITED DAILY INTO THE VENDOR'S BANK ACCOUNT, AND WERE REMITTED MONTHLY TO DCRA AFTER THE VENDOR'S FEES WERE DEDUCTED. THE TEAM FOUND, HOWEVER, THAT DCRA WAS NOT CONDUCTING REGULAR AUDITS OR RECONCILIATIONS TO ENSURE THAT THE AMOUNT OF FEES REPORTED BY THE VENDOR AGREED WITH THE NUMBER OF LICENSES ISSUED.

FINDING: DCRA WAS PAYING THE VENDOR WITHOUT ENSURING THAT CONTRACT REQUIREMENTS WERE MET. THE TEAM FOUND THAT THE VENDOR WAS PAID EVEN THOUGH A NUMBER OF REQUIREMENTS SPECIFIED IN THE CONTRACT, SUCH AS ONLINE RENEWAL CAPABILITIES, WERE NOT BEING MET. IN ADDITION, THERE WAS NO LANGUAGE IN THE CONTRACT THAT IMPOSED PENALTIES FOR FAILURE TO PROVIDE AGREED-UPON REQUIREMENTS ACCORDING TO SCHEDULED TIMETABLES.

FINDING: SECURITY DEFICIENCIES IN THE BUSINESS SERVICES DIVISION INCREASED THE RISK THAT FRAUDULENT LICENSES COULD BE ISSUED. DCRA'S BUSINESS SERVICES DIVISION PROCESSES AND ISSUES INITIAL AND RENEWAL BASIC BUSINESS LICENSES, AND IS CHARGED WITH ENSURING

THE ACCURACY AND INTEGRITY OF BUSINESS LICENSE ACTIVITY WITHIN THE DISTRICT. THE DIVISION HAD NO WRITTEN SECURITY PROCEDURES TO PROTECT THE INTEGRITY OF THE LICENSING FUNCTION. THE LACK OF WRITTEN SECURITY PROCEDURES COULD ALLOW THE ISSUANCE OF FRAUDULENT LICENSES. THE TEAM NOTED THAT THERE WERE DEFICIENCIES IN THE DIVISION'S DATABASE, ANNUAL AUDITS WERE NOT CONDUCTED, DAILY RECONCILIATIONS WERE NOT PERFORMED, AND NO WRITTEN SECURITY PROCEDURES EXISTED FOR THE CARE AND HANDLING OF PHOTO IDENTIFICATION BADGES.

FINDING: BUSINESS LICENSE APPLICATIONS WERE NOT PROPERLY FILED OR STORED. THE TEAM FOUND THAT DCRA'S BUSINESS LICENSE FILING AND RETRIEVAL SYSTEM HAD MANY PROBLEMS. THERE WERE NO FORMAL FILING PROCEDURES, AND APPLICANT FILES WERE INCOMPLETE AND STORED IN INADEQUATE SPACE. THE TEAM ATTEMPTED TO REVIEW 160 APPLICATION FILES, BUT COULD ONLY LOCATE AND REVIEW 1 FILE. IN NEARLY ALL CASES, EMPLOYEES SUGGESTED THAT THE MISSING FILES COULD BE FOUND IN ANOTHER LOCATION. HOWEVER, THE TEAM WAS UNABLE TO LOCATE THE FILES. IN ADDITION, THERE WAS A LARGE NUMBER OF APPLICATION FILES MAINTAINED IN A BASEMENT STORAGE AREA, ABOUT WHICH MANAGEMENT HAD LITTLE INFORMATION. BSD MANAGERS STATED THAT THEY WERE AWARE OF THESE PROBLEMS, AND AGREED THAT THE CURRENT SYSTEM WAS NOT WELL ORGANIZED AND COULD NOT BE USED TO EFFECTIVELY ARCHIVE AND

RETRIEVE LICENSE APPLICATION DOCUMENTATION. IN RESPONSE TO THIS FINDING, DCRA STATED THAT IN EARLY FY 2007 IT PLANNED TO HIRE ADDITIONAL STAFF TO ADDRESS THE CONDITIONS CITED.

FINDING: BLANK BUSINESS LICENSE STOCK WAS NOT PROPERLY INVENTORIED AND CONTROLLED. THE BSD MAINTAINS A SUPPLY OF BLANK LICENSE STOCK THAT IS USED WHEN OFFICIAL LICENSES ARE PRINTED UPON COMPLETION OF THE APPLICATION PROCESS. THE TEAM NOTED THAT THERE WAS NO TRACKING SYSTEM TO ACCOUNT FOR THE INVENTORY. THE INSPECTION TEAM WAS CONCERNED THAT MISSING OR UNACCOUNTED LICENSE STOCK COULD BE USED TO PRODUCE FRAUDULENT LICENSES.

FINDING: DCRA DID NOT ADEQUATELY DOCUMENT ITS PROJECT TO IDENTIFY BUSINESSES OPERATING IN THE DISTRICT WITHOUT A RENEWED LICENSE. IN APRIL 2003, DCRA'S OFFICE OF INFORMATION SYSTEMS IDENTIFIED APPROXIMATELY 10,000 BUSINESS LICENSES ON FILE THAT HAD NOT BEEN RENEWED. THIS RAISED THE POSSIBILITY THAT MANY BUSINESSES MAY HAVE CONTINUED OPERATING ILLEGALLY AFTER THE EXPIRATION OF THEIR LICENSES. DCRA BEGAN THE UNPAID BUSINESS LICENSE PROJECT TO DETERMINE THE NUMBER OF UNLICENSED BUSINESSES OPERATING IN THE DISTRICT AND TO TAKE ENFORCEMENT ACTION TO REQUIRE RENEWALS AND COLLECT UNPAID FEES. AT THE TIME OF THE INSPECTION, DCRA COULD NOT PROVIDE DOCUMENTATION ABOUT THE PROGRESS OF THE PROJECT, SUCH AS

THE NUMBER OF INVESTIGATIONS UNDERTAKEN, THE NUMBER OF BUSINESSES INVOLVED, THE AMOUNT OF REVENUE COLLECTED, AND THE CURRENT STATUS OF THE PROJECT.

FINDING: LICENSING RECORDS IN THE OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION WERE IN DISARRAY, DIFFICULT TO RETRIEVE, AND NOT SECURELY STORED. IN ORDER TO DETERMINE WHETHER OPLD WAS IN COMPLIANCE WITH D.C. CODE REQUIREMENTS THAT APPLICANTS SUBMIT PROPER SUPPORTING DOCUMENTATION WHEN APPLYING FOR A LICENSE, THE TEAM ATTEMPTED A REVIEW OF 300 FILES CONTAINING INFORMATION RELATED TO ISSUED LICENSES. HOWEVER, THE FILES WERE IN SUCH DISARRAY THAT A MEANINGFUL REVIEW COULD NOT BE COMPLETED. IN ADDITION, THE TEAM FOUND THAT THESE RECORDS, WHICH CONTAIN SENSITIVE PERSONAL INFORMATION, WERE NOT STORED SECURELY, AND THE AMOUNT OF STORAGE SPACE PROVIDED FOR THEM IS INADEQUATE.

FINDING: OPLD FAILED TO ENSURE THAT APPLICANTS DO NOT OWE THE DISTRICT MONEY BEFORE ISSUING THEM A LICENSE. THE CLEAN HANDS BEFORE RECEIVING A LICENSE OR PERMIT ACT OF 1996 (CLEAN HANDS ACT) CODIFIED AT D.C. CODE §§ 47-2861 TO 2866 (2001), PROHIBITS THE MAYOR FROM ISSUING A LICENSE OR PERMIT TO ANY APPLICANT WHO OWES THE DISTRICT MORE THAN \$100. AT THE TIME OF THE INSPECTION, THE OPLD LICENSING PROCESS REQUIRED APPLICANTS TO SIGN A CLEAN HANDS SELF CERTIFICATION

FORM. HOWEVER, OPLD WAS NOT VERIFYING THAT APPLICANTS DID NOT OWE DEBTS TO THE DISTRICT BEFORE ISSUING THEM A LICENSE.

FINDING: OPLD OVERSIGHT OF THE OCCUPATIONAL AND PROFESSIONAL LICENSING CONTRACT WAS INADEQUATE. OPLD'S CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE (COTR) DID NOT REGULARLY EVALUATE THE PERFORMANCE OF THE LICENSING CONTRACTOR. THE COTR DID NOT VERIFY THE CONTRACTOR'S PERFORMANCE REPORTS, NEVER INITIATED A FINANCIAL OR PERFORMANCE AUDIT OF THE CONTRACTOR'S OPERATIONS, AND DID NOT CONDUCT EITHER PLANNED OR RANDOM INSPECTIONS AT THE CONTRACTOR'S FACILITIES, AS CALLED FOR BY THE COTR TRAINING MANUAL.

FINDING: DEFICIENCIES IN SECURITY PROCEDURES EXISTED THAT MAY ALLOW THE ISSUANCE OF FRAUDULENT LICENSES. IN SEPTEMBER 2000, DCRA DISCOVERED THAT AN EMPLOYEE WORKING FOR THE CONTRACTOR RESPONSIBLE FOR PROCESSING OCCUPATIONAL AND PROFESSIONAL LICENSE APPLICATIONS AND ISSUING LICENSES HAD ISSUED THREE FRAUDULENT LICENSES. DURING OUR INSPECTION, THE TEAM FOUND THAT SECURITY DEFICIENCIES CONTINUED TO EXIST (LICENSE STOCK WAS NOT PROPERLY INVENTORIED AND CONTROLLED AND THE CONTRACTOR WAS NOT KEEPING A DAILY LOG OF LICENSES THAT WERE PRINTED). THE TEAM ALSO FOUND THAT NEITHER DCRA NOR THE CONTRACTOR HAD CONDUCTED AN AUDIT SINCE FY

2000. THE LACK OF WRITTEN POLICIES AND PROCEDURES, COUPLED WITH THE LACK OF OVERSIGHT, COULD ENCOURAGE COLLUSION AMONG DCRA STAFF, CONTRACTOR STAFF, AND THE REQUESTOR, AND COULD LEAD TO THE ISSUANCE OF FRAUDULENT LICENSES. IN RESPONSE TO THIS FINDING, DCRA STATED THAT DURING FY 2007 IT WOULD USE NEW LICENSE STOCK THAT CARRIES SEQUENTIAL, AUDITABLE LICENSE NUMBERS, AND REVIEW THE CONTRACTOR'S SECURITY PROCEDURES MANUAL.

FINDING: THE OFFICE OF INVESTIGATIONS WITHIN THE OFFICE OF COMPLIANCE AND ENFORCEMENT DID NOT HAVE ADEQUATE STAFF TO CONDUCT SURVEYS AND INVESTIGATIONS. OCE MANAGEMENT STATED THAT OCE WAS ONLY ABLE TO CONDUCT LIMITED COMPLIANCE SURVEYS, AND HAD JUST ENOUGH INVESTIGATORS TO CONDUCT INVESTIGATIONS OF UNLICENSED BUSINESSES, PROFESSIONALS, AND CORPORATIONS ON A "COMPLAINT-DRIVEN" BASIS. IN RESPONSE TO THE FINDING, DCRA STATED IT WAS IN THE PROCESS OF HIRING ADDITIONAL STAFF IN FY 2006 IN ORDER TO IMPROVE ITS ENFORCEMENT EFFORTS.

IN CLOSING, I WOULD LIKE TO NOTE THAT MANY OF THE OIG'S FINDINGS FROM THE TWO REPORTS OF INSPECTION CAN BE ORGANIZED INTO FOUR PRIMARY THEMES: INADEQUATE OVERSIGHT AND EMPHASIS ON REVENUE COLLECTION PROCESSES; PROBLEMS WITH MISSION CRITICAL TECHNOLOGY; DISORGANIZED AND UNSECURED PAPER-BASED RECORDS; AND LAX SECURITY OF LICENSING

MATERIALS AND PROCESSES. THESE FOUR THEMES SUGGEST A GENERAL LACK OF MANAGEMENT OVERSIGHT IN KEY PROGRAM FUNCTIONS AT DCRA.

THAT CONCLUDES MY TESTIMONY, AND WE WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU MAY HAVE. THANK YOU.