

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General**

Inspector General



**TESTIMONY OF CHARLES J. WILLOUGHBY
INSPECTOR GENERAL
BEFORE THE D.C. COUNCIL
COMMITTEE OF THE WHOLE**

**ISSUANCE OF THE DISTRICT'S FY 2006
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

FEBRUARY 5, 2007

CHAIRMAN GRAY AND OTHER COMMITTEE MEMBERS, I AM PLEASED TO SPEAK BEFORE YOU THIS MORNING AND TO BE PART OF THE SIGNIFICANT ACCOMPLISHMENT OF ATTAINING AN UNQUALIFIED OPINION ON THE DISTRICT'S FY 2006 FINANCIAL STATEMENTS.

BY LAW, THE OFFICE OF THE INSPECTOR GENERAL (OIG) IS RESPONSIBLE FOR CONTRACTING WITH AN INDEPENDENT AUDIT FIRM FOR THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND OVERSEEING THE AUDIT PROCESS. TO ENSURE THAT THE AUDIT PROCESS RUNS SMOOTHLY, THE OIG CHAIRS AN OVERSIGHT COMMITTEE THAT MONITORS THE PROGRESS OF THE CAFR EACH YEAR. THE COMMITTEE ENSURES THAT OBSTACLES THAT MAY HINDER THE TIMELY COMPLETION OF THE AUDIT, OR MATTERS WHICH NEED DISTRICT MANAGEMENT'S ATTENTION, ARE DISCUSSED WITH THE APPROPRIATE DECISION MAKERS

AND PROMPTLY RESOLVED. THE COMMITTEE MEETS REGULARLY THROUGHOUT THE YEAR TO ACHIEVE THAT GOAL.

THE OFFICE OF THE INSPECTOR GENERAL AWARDED A CONTRACT TO BDO SEIDMAN, LLP TO PERFORM THE FY 2006 CAFR AUDIT. I AM PLEASED HOW THE AUDITORS QUICKLY BECAME FAMILIAR WITH THE OPERATIONS OF THE DISTRICT GOVERNMENT AND ITS COMPONENT UNITS, AND WORKED COLLABORATIVELY WITH THE STAFF FROM ALL AGENCIES, ESPECIALLY THOSE FROM THE CFO OFFICES, TO IDENTIFY AND RESOLVE ISSUES AND TO COMPLETE THE CAFR ON SCHEDULE. THE AUDIT COSTS FOR THE FY 2006 CAFR WERE APPROXIMATELY \$2.3 MILLION.

UNDER THE CURRENT CONTRACT, BDO SEIDMAN, LLP IS REQUIRED TO PERFORM THE AUDIT OF THE DISTRICT'S FINANCIAL STATEMENTS. AS PART OF THE AUDIT, BDO SEIDMAN, LLP MUST PROVIDE: (1) AN AUDITOR'S OPINION AS TO THE FAIR PRESENTATION OF THE DISTRICT'S FINANCIAL STATEMENTS; (2) A REPORT ON THE INTERNAL CONTROLS OVER FINANCIAL REPORTING, AND ON COMPLIANCE WITH LAWS AND REGULATIONS; AND (3) A MANAGEMENT LETTER, AS APPROPRIATE. THE MANAGEMENT LETTER WILL BE ISSUED BY MARCH 31, 2007.

IN THE FY 2006 INDEPENDENT AUDITOR'S REPORT, BDO SEIDMAN, LLP IDENTIFIED A NEED FOR IMPROVEMENTS IN THE MANAGEMENT OF THE

DISTRICT OF COLUMBIA PUBLIC SCHOOLS AND THE MEDICAID PROGRAM, BOTH OF WHICH THE OIG CONSIDERS HIGH RISK AREAS.

ADDITIONALLY, THE RESULTS OF BDO SEIDMAN, LLP'S TESTS OF THE DISTRICT'S COMPLIANCE WITH CERTAIN PROVISIONS OF LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS, DISCLOSED THE NEED TO BETTER COMPLY WITH PROCUREMENT REGULATIONS AND THE QUICK PAYMENT ACT.

IN PERFORMING ITS WORK, BDO SEIDMAN, LLP PERFORMED A VALUABLE SERVICE FOR THE DISTRICT AND, ON BEHALF OF THE OIG, I WOULD LIKE TO THANK THEM FOR THEIR SERVICE. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO COMMEND DR. GANDHI AND HIS STAFF FOR EMPLOYING THE MANAGEMENT AND OVERSIGHT TO CLOSE THE DISTRICT'S BOOKS AND RECORD ALL THE REQUIRED TRANSACTIONS NECESSARY TO PREPARE AND COMPLETE THE FINANCIAL STATEMENTS. ADDITIONALLY, I WOULD LIKE TO THANK THE CAFR OVERSIGHT COMMITTEE MEMBERS FOR THEIR LEADERSHIP AND EXPERTISE IN MONITORING THE CAFR OVER THE LAST SEVERAL MONTHS. IN THAT REGARD, I WANT TO SINGLE OUT FOR SPECIAL RECOGNITION WILLIAM DIVELLO, OF MY STAFF; ERIC GOULET AND NICOLE STREETER, OF THE CITY COUNCIL; WILLIAM SINGER, OF THE EXECUTIVE OFFICE OF THE MAYOR; AND TONY POMPA, OF THE CFO'S OFFICE FOR THEIR EFFORTS AND CONTRIBUTIONS.

WHILE OVERSIGHT IS CRITICAL TO THE TIMELY COMPLETION OF THE CAFR, SO IS ENSURING THAT BENEFITS OF THE AUDITOR'S WORK ARE REALIZED. ULTIMATELY, THE BENEFITS OF AUDIT WORK OCCUR WHEN MANAGEMENT TAKES MEANINGFUL AND EFFECTIVE CORRECTIVE ACTION IN RESPONSE TO THE AUDITOR'S FINDINGS AND RECOMMENDATIONS. IF MANAGEMENT DOES NOT TAKE SUCH ACTIONS, REPEAT FINDINGS IN THESE AREAS WILL LIKELY CONTINUE, THEREBY NEGATIVELY IMPACTING THE ECONOMY, EFFECTIVENESS, AND SUSTAINABILITY OF KEY DISTRICT PROGRAMS AND OPERATIONS.

IN CLOSING, I WOULD LIKE TO SAY THAT MY OFFICE IS PROUD OF ITS ROLE IN FACILITATING THE CONDUCTING OF THE CAFR AND THUS STRENGTHENING THE FINANCIAL CONDITION OF THE DISTRICT AND WE LOOK FORWARD TO CONTINUING TO WORK WITH DISTRICT MANAGEMENT IN THIS REGARD.

THIS CONCLUDES MY TESTIMONY. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.