

**TESTIMONY OF CHARLES J. WILLOUGHBY, INSPECTOR GENERAL
BEFORE THE COMMITTEE ON WORKFORCE DEVELOPMENT AND
GOVERNMENT OPERATIONS**

**“PUBLIC OVERSIGHT HEARING ON THE
2008 SUMMER YOUTH EMPLOYMENT PROGRAM”**

SEPTEMBER 18, 2008

GOOD AFTERNOON CHAIRPERSON SCHWARTZ AND MEMBERS OF THE COMMITTEE. I WELCOME THIS OPPORTUNITY TO SHARE OUR PERSPECTIVES AND PRELIMINARY AUDIT RESULTS ON THE 2008 SUMMER YOUTH PROGRAM. ACCOMPANYING ME TODAY ARE WILLIAM J. DIVELLO, ASSISTANT INSPECTOR GENERAL FOR AUDIT; AND MONICA GRAVES, AUDIT DIRECTOR, DISTRICT OF COLUMBIA EDUCATION PROGRAMS.

AS YOU KNOW, WE UNDERTOOK THE REVIEW OF THE SUMMER YOUTH PROGRAM BASED ON REQUESTS FROM BOTH THE EXECUTIVE AND LEGISLATIVE BRANCHES.

WE ISSUED OUR ENGAGEMENT LETTER ON JULY 30, 2008, INCORPORATING AUDIT REQUESTS FROM YOU, CHAIRMAN GRAY, COUNCILMEMBER MARION BARRY, AND CITY ADMINISTRATOR AND DEPUTY MAYOR DANIEL M. TANGHERLINI, ALL OF WHOM SHARED SIMILAR CONCERNS ABOUT THE MISMANAGEMENT AND FISCAL IRREGULARITIES IN THE SUMMER YOUTH PROGRAM. IN PARTICULAR,

QUESTIONS WERE ASKED AS TO HOW PROGRAM EXPENDITURES GREW TO APPROXIMATELY \$52 MILLION, WELL ABOVE THE ORIGINAL \$14.5 MILLION BUDGETED FOR THE PROGRAM.

IN CITING THESE CONCERNS, COUNCILMEMBERS ASKED US TO REVIEW SPECIFIC ASPECTS OF THE SUMMER YOUTH PROGRAM, PARTICULARLY ON THE GROWTH OF THE PROGRAM AND RAPID INCREASE IN EXPENDITURES OVER A RELATIVELY SHORT PERIOD OF TIME. WHILE OUR AUDIT OBJECTIVES ARE BROAD AND WILL ADDRESS INTERNAL CONTROLS AND PROGRAM EFFICIENCY AND EFFECTIVENESS, THE AUDIT TEAM IS DEFINING SPECIFIC OBJECTIVES AND STEPS TO ADDRESS THE CONCERNS EXPRESSED IN THE REQUESTS FOR AUDIT.

IN ADDITION, THE OIG AUDIT DIVISION WILL REFER TO THE OIG INVESTIGATIONS DIVISION ANY EVIDENCE OBTAINED REGARDING CRIME AND CORRUPTION, INCLUDING FRAUD AND THEFT, WITH REGARD TO THE SUMMER YOUTH PROGRAM. TO DATE, THE OIG INVESTIGATIONS DIVISION HAS RECEIVED FROM MEMBERS OF THE PUBLIC SOME ALLEGATIONS OF POSSIBLE CRIMINAL CONDUCT AND IS INVESTIGATING THEM. THE OIG INVESTIGATIONS DIVISION IS IN THE PROCESS OF DISTRIBUTING TO THE MAYOR'S OFFICE AND ALL DISTRICT AGENCY HEADS A FRAUDULENT ACTIVITY REPORT NOTIFYING THEM OF CONCERNS REGARDING THE SUMMER YOUTH PROGRAM AND REQUESTING THAT ALL DISTRICT AGENCIES ASSIST THE OIG WITH IDENTIFYING DISTRICT

EMPLOYEES WHO REGISTERED THEIR CHILDREN FOR THE SUMMER YOUTH PROGRAM BUT DO NOT LIVE IN THE DISTRICT.

OUR WORK PROGRESSES AS WE SPEAK. AUDIT COVERAGE INCLUDES KEY AREAS SUCH AS THE:

- PLANNING , MANAGEMENT, AND EXECUTION OF THE SUMMER YOUTH PROGRAM;
- NEW DATA SYSTEM IMPLEMENTATION, OVERLAP WITH THE EXISTING DATA SYSTEM, AND INTERNAL CONTROLS DESIGNED TO PREVENT OR DETECT FRAUD OR ABUSE;
- CONTRACTS AND AGREEMENTS MADE WITH PRIVATE AND NON-PROFIT ORGANIZATIONS TO PARTICIPATE IN THE SUMMER YOUTH PROGRAM, INCLUDING WORK AND ENRICHMENT OPPORTUNITIES;
- PROCESSES AND PRACTICES FOR PAYING SUMMER YOUTH PROGRAM PARTICIPANTS, INCLUDING DEBIT CARD USAGE, BANK DEPOSITS, AND CHECK PAYMENTS;
- PLANNING AND PROCEDURES FOR COORDINATING AND CONTROLLING WORK ASSIGNMENTS AND EDUCATIONAL ENRICHMENT OPPORTUNITIES;
AND
- A CHRONOLGY OF EVENTS AND STATISTICS ON THE NUMBER OF SUMMER YOUTH PROGRAM PARTICIPANTS, CONSISTENT WITH THE CONCERNS EXPRESSED IN THE AUDIT REQUESTS.

SEVERAL MANAGEMENT INITIATIVES AND DECISIONS IMPACTED THE DEPARTMENT OF EMPLOYMENT SERVICES' (DOES) ABILITY TO PLAN, FORECAST, AND BUDGET FOR THE FY 2008 SUMMER YOUTH PROGRAM:

- THE MAYOR ANNOUNCED HIS INITIATIVE THAT ALL ELIGIBLE CHILDREN WHO WANTED TO PARTICIPATE IN THE SUMMER YOUTH PROGRAM SHALL HAVE THE OPPORTUNITY. CONSEQUENTLY, THE FY 2008 SUMMER YOUTH PROGRAM REGISTRATION DEADLINE WAS ABOLISHED AND NO SUMMER YOUTH PROGRAM PARTICIPATION LIMITATIONS WERE ESTABLISHED. AS A RESULT, ADDITIONAL PROGRAM FUNDS WERE REQUESTED TO COVER SUMMER YOUTH PROGRAM PARTICIPANTS' SALARIES AND PROGRAM COSTS ABOVE THE BUDGETED AMOUNT. ADDITIONALLY, DOES COULD NOT SUFFICIENTLY ALLOCATE SUMMER YOUTH PROGRAM STAFF AND HAD TO HAVE SIGNIFICANT VOLUNTEER PARTICIPATION FROM THE MAYOR'S OFFICE.
- THE FORMER DOES DIRECTOR IMPLEMENTED THE NEW DATA SYSTEM 2 WEEKS PRIOR TO THE START OF THE SUMMER YOUTH PROGRAM. THIS DECISION DID NOT LEAVE ADEQUATE TIME FOR DOES TO FOLLOW A STRUCTURED IMPLEMENTATION METHODOLOGY, TO INCLUDE: REQUIREMENTS DEVELOPMENT; CONVERSION AND MIGRATION PLANNING; APPLICATION TESTING; AND USER TRAINING. CONSEQUENTLY, NO RELIANCE COULD BE PLACED ON THE DATA –

INCLUDING TIME AND ATTENDANCE - WITHIN THE NEW SYSTEM, AND THE DISTRICT OPTED TO EXERCISE THE “PAY ALL” DIRECTIVE.

- THE FORMER DOES DIRECTOR DECIDED TO EXPAND THE VARIETY OF TRAINING OPPORTUNITIES FOR THE YOUTH. THIS AMBITIOUS UNDERTAKING MET WITH SEVERAL CONTRACTING OBSTACLES. THESE OBSTACLES DELAYED SOME OF THE CONTRACT AWARDS UNTIL AFTER THE SUMMER YOUTH PROGRAM START DATE AND FORCED DOES TO AWARD THE CONTRACTS TO ALL BUT ONE REQUEST FOR PROPOSAL RESPONDENT. AS A RESULT, DOES WAS UNABLE TO ASSIGN REGISTERED YOUTHS TO HOST AGENCIES. DOES ALSO PAID CONTRACTORS A RANGE OF (\$950 – \$6600 PER PARTICIPANT) FOR PROVIDING ENRICHMENT TRAINING.

FOR THIS TESTIMONY, OUR PRELIMINARY AUDIT FINDINGS ARE GROUPED INTO FOUR TOPICS:

- I. INTERNAL CONTROL WEAKNESSES IN THE REGISTRATION AND PAYROLL PROCESSES
- II. CONTRACTING FOR WORK/ENRICHMENT OPPORTUNITIES
- III. PAYMENT PROCESS/DEBIT CARDS
- IV. OTHER CONCERNS/OBSERVATIONS

I. INTERNAL CONTROL WEAKNESSES IN THE REGISTRATION AND PAYROLL PROCESSES

WE FOUND THAT:

- (a) THIRD PARTIES COLLECTED SUMMER YOUTH PROGRAM APPLICATIONS AND PROVIDED THE APPLICATIONS AND COPIES OF SUPPORTING DOCUMENTS, SUCH AS PROOF OF RESIDENCY AND PROOF OF AGE, TO DOES;
- (b) SUMMER YOUTH PROGRAM APPLICATIONS WERE NOT ENTERED INTO THE DATA SYSTEM ON A TIMELY BASIS;
- (c) THERE WERE NO SUMMER YOUTH PROGRAM APPLICATIONS ON FILE FOR SOME PROGRAM PARTICIPANTS;
- (d) THERE ARE MAJOR DATA SYSTEM APPLICATION CONTROL WEAKNESSES THAT WOULD NOT PREVENT INPUT OF BAD DATA;
- (e) SUMMER YOUTH PROGRAM PARTICIPANTS NOT ASSIGNED IN THE DATA SYSTEM PREVENTED HOST SITES (EMPLOYERS/HOST AGENCIES/VENDORS) FROM ENTERING TIME WORKED;
- (f) DOES STAFF COULD ASSIGN MORE SUMMER YOUTH PROGRAM PARTICIPANTS TO HOST AGENCIES (VENDORS) BEYOND CONTRACTUAL LIMITS; AND
- (g) THERE WERE SOME INSTANCES OF FAILURE TO ADEQUATELY SEGREGATE DUTIES OF INDIVIDUALS WHO COULD CREATE A PAYROLL FILE IN THE SYSTEM AND THOSE WHO COULD AUTHORIZE THE PAYMENT.

THESE WEAKNESSES CONTRIBUTED TO THE FOLLOWING PROGRAM DEFICIENCIES:

- DOES STAFF COULD NOT DETECT INELIGIBLE SUMMER YOUTH PROGRAM PARTICIPANTS;
- SOME PROGRAM PARTICIPANTS WHO PROPERLY REGISTERED IN THE PROGRAM AND WORKED, DID NOT GET PAID;
- SOME PROGRAM PARTICIPANTS WHO RECEIVED PAY DID NOT WORK;
- DOES SENT TOO MANY PROGRAM PARTICIPANTS TO SOME HOST AGENCIES (VENDORS), POTENTIALLY INCREASING CONTRACT COSTS BEYOND CONTRACTUAL LIMITS;
- DOES SENT PROGRAM PARTICIPANTS TO HOST AGENCIES/VENDORS THAT WERE NOT ACTIVE IN THE SUMMER YOUTH PROGRAM; AND
- DOES HAD NO MEANS FOR PROVIDING USEFUL SUMMER YOUTH PROGRAM PROGRESS REPORTS TO THE MAYOR, THE COUNCIL, AND OTHERS.

II. CONTRACTING FOR WORK/ENRICHMENT OPPORTUNITIES

THE OFFICE OF CONTRACTING AND PROCUREMENT (OCP) AWARDED 36 CONTRACTS TO ORGANIZATIONS TO PROVIDE ACADEMIC ENRICHMENT, CAREER EXPLORATION, EMPLOYABILITY SKILLS TRAINING, LEADERSHIP DEVELOPMENT SKILLS, PROJECT-BASED LEARNING, AND WORK EXPERIENCE. ABOUT \$10 MILLION OF THE \$52 MILLION WAS BUDGETED FOR CONTRACTED SERVICES. IN ADDITION TO CONTRACTED SERVICES, THE DISTRICT HAD NUMEROUS FORMAL AGREEMENTS WITH DISTRICT, FEDERAL, AND PRIVATE EMPLOYERS WHO AGREED TO PROVIDE SUMMER

JOBS. IN OUR EVALUATION OF CONTRACTED AND AGREED-TO SERVICES WE FOUND THAT:

- OCP/DOES DID NOT MAKE TIMELY CONTRACT AWARDS, WITH MOST OF THE 36 CONTRACTS AWARDED BETWEEN JUNE 10, 2008, AND JUNE 18, 2008;
- SOLE-SOURCE CONTRACT AWARDS WERE MADE WITHOUT PROPER JUSTIFICATION;
- DOES AND THE DISTRICT OF COLUMBIA PUBLIC SCHOOLS (DCPS) ALLOWED CONTRACTORS TO USE SCHOOL BUILDINGS WITHOUT PAYING RENT OR ASSOCIATED COSTS;
- COSTS FOR EACH SUMMER YOUTH PROGRAM PARTICIPANT PAID TO CONTRACTORS APPEAR TO BE EXORBITANT, RANGING AS HIGH AS \$6600 PER PARTICIPANT (FOR 10 WEEKS) IN ONE INSTANCE;
- DOES DID NOT FORMALLY AMEND CONTRACTS/AGREEMENTS WITH VENDORS/PRIVATE EMPLOYERS TO REFLECT ADDITIONAL NUMBERS OF SUMMER YOUTH PROGRAM PARTICIPANTS SENT TO THESE HOST AGENCIES; AND
- DOES DID NOT REQUIRE ALL PRIVATE EMPLOYERS TO COMPLETE AND SIGN FORMAL AGREEMENTS.

SOME IMPACTS ASSOCIATED WITH THE ABOVE CONDITIONS INCLUDED:

- DOES COULD NOT TIMELY ENTER HOST AGENCIES (VENDORS) INTO THE DATA SYSTEM;
- DOES MAY NOT HAVE CONTRACTED FOR THE BEST VALUE, THEREBY INCREASING CONTRACT COSTS AND WASTING MONEY;
- THE DISTRICT FAILED TO SIGN HOST AGENCY AGREEMENTS, WHICH DETAILED REQUIREMENTS SUCH AS THE NUMBER OF YOUTHS TO BE EMPLOYED AND ANY REQUIRED PAY SUPPLEMENT FROM THE HOST. WITHOUT A SIGNED AGREEMENT BY BOTH PARTIES, THE TERMS OF THE CONTRACT CAN BE DISPUTED BY EITHER PARTY; AND
- SUMMER YOUTH EMPLOYMENT PROGRAM PARTICIPANT NUMBERS GREW UNCONTROLLED, WITH LITTLE EFFORT TO CONTROL ASSOCIATED COSTS.

III. PAYMENT PROCESS/DEBIT CARDS

DOES USED TWO PAYROLL PAYMENT METHODS, INCLUDING USE OF DEBIT CARDS (MONEY DEPOSITED AGAINST A SPECIFIC DEBIT CARD ACCOUNT, WITH THE CARD CITING THE NAME OF THE SUMMER YOUTH PROGRAM PARTICIPANT), AND CHECK PAYMENTS MADE PAYABLE TO THE SUMMER YOUTH PROGRAM PARTICIPANT BY THE OFFICE OF FINANCE AND TREASURY OF THE OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO). WE FOUND SEVERAL PROBLEMS, PARTICULARLY WITH THE DEBIT CARD PROCESS:

- THERE WAS INADEQUATE SEPARATION OF DUTIES, WHEREIN DOES PROGRAM STAFF, INSTEAD OF OCFO STAFF, DISTRIBUTED DEBIT CARDS AND DOES INFORMATION TECHNOLOGY (IT) STAFF HAD ACCESS TO THE DATA SYSTEM AND PHYSICAL ACCESS TO UNDISTRIBUTED DEBIT CARDS;
- THERE WAS NO WAY TO VERIFY WHICH EMPLOYEES HAD ACCESS TO THE UNDISTRIBUTED DEBIT CARDS AND THERE WERE INADEQUATE CONTROLS OVER ACCESS TO UNDISTRIBUTED DEBIT CARDS;
- DOES HAS NO WRITTEN POLICIES OR PROCEDURES FOR THE DEBIT CARD OPERATION;
- DOES DID NOT REQUIRE SUMMER YOUTH PROGRAM PARTICIPANTS TO PAY THE BANK FEES (\$17.50 PER CARD REPLACED) WHEN THEY LOST THEIR DEBIT CARDS;
- THE BANK CREATED DEBIT CARDS FOR ALL SUMMER YOUTH PROGRAM REGISTRANTS, INCLUDING SUMMER YOUTH PROGRAM PARTICIPANTS WHO WORKED FOR AND WERE PAID BY PRIVATE EMPLOYERS; AND
- SUMMER YOUTH PROGRAM PARTICIPANTS WERE ABLE TO KEEP THEIR DEBIT ACCOUNTS OPEN AFTER THE END OF THE PROGRAM.

SOME IMPACTS ASSOCIATED WITH THE ABOVE FINDINGS WERE:

- SUMMER YOUTH PROGRAM PARTICIPANTS WHO WORKED FOR PRIVATE EMPLOYERS POSSIBLY RECEIVED DUPLICATE PAYMENTS;
- THERE IS A LIKELIHOOD THAT UNDISTRIBUTED DEBIT CARDS WERE MISAPPROPRIATED;
- DOES INCURRED UNNECESSARY BANK FEES; AND
- BECAUSE OF OPEN ACCOUNTS, OCFO AND DOES MUST DEVOTE RESOURCES TO MANAGE THE SUMMER YOUTH PROGRAM BEYOND THE END OF THE PROGRAM.

IV. OTHER CONCERNS/OBSERVATIONS

- A. IT APPEARS THAT ABOUT \$49 MILLION OF THE ESTIMATED \$52 MILLION WAS SPENT FOR THE FY 2008 SUMMER YOUTH PROGRAM. SO FAR WE HAVE ACCOUNTED FOR ABOUT \$39 MILLION (\$29 MILLION IN SALARIES AND \$10 MILLION IN CONTRACTS). WE ARE STILL WORKING ON ACCOUNTING FOR THE REMAINING \$10 MILLION.
- B. PLANNING FOR THE FY 2008 SUMMER YOUTH PROGRAM APPEARS TO HAVE BEEN HAPHAZARD AND AD-HOC, NOT PROVIDING FOR A THOROUGH UNDERSTANDING OF ALTERNATIVES TO RESPOND TO PROGRAM IMPACTS.
- C. DOES'S IT PROGRAM OFFICE HAD TO CONSTANTLY MODIFY THE DATA SYSTEM TO MEET BUSINESS AND USER REQUIREMENTS. THIS ADDED TO THE CHAOTIC ENVIRONMENT.

- D. DOES WAS UNABLE TO ACCOMPLISH TASKS AND PLAN AND ASSIGN RESOURCES CONSISTENTLY WITH DEFINED NEEDS. DOES LOST CONTROL OF THE PROGRAM, CONSEQUENTLY MASS CONFUSION OCCURRED.
- E. MANAGEMENT AND USERS OF THE NEWLY IMPLEMENTED DATA SYSTEM WERE UNABLE TO TRACK SPECIFIC ASPECTS OF THE SUMMER YOUTH PROGRAM FROM BEGINNING TO END BECAUSE CRITICAL INFORMATION WAS NOT ENTERED INTO THE DATA SYSTEM. SUCH ASPECTS INCLUDED MAJOR MILESTONE DATES AND RELATED ACCOMPLISHMENTS, OBSTACLES ENCOUNTERED, AND DIVERGENCE FROM PROGRAM GOALS. ADDITIONALLY, BECAUSE OTHER DATA - SUCH AS PARTICIPANT ADDRESSES AND OTHER GEOGRAPHICAL INFORMATION - WERE NOT RECORDED IN THE NEW DATA SYSTEM, REPORTS DEPICTING PARTICIPATION BY WARD, HOST AGENCY, OR CONTRACTOR COULD ALSO NOT BE GENERATED. IRONICALLY, THE CAPTURE AND REPORTING OF THIS INFORMATION WAS A MAJOR REASON FOR MOVING TO THE NEW DATA SYSTEM.
- F. DOES MANAGEMENT DID NOT DEVELOP MANUAL WORK-AROUND PROCEDURES OR RUN THE OLD DATA SYSTEM PARALELL TO THE NEW SYSTEM. WHEN MAJOR OPERATIONAL SYSTEM FAILURES OCCURRED, SUMMER YOUTH PROGRAM OPERATIONS BECAME CHAOTIC.

WHAT I HAVE DISCUSSED TODAY IS A BRIEF SUMMARY OF OUR PRELIMINARY
AUDIT FINDINGS AND OBSERVATIONS. THE FINAL RESULTS OF OUR REVIEW
MAY VARY SOMEWHAT IN CONTENT AND IMPORTANCE AS WE COMPLETE OUR
AUDIT WORK.

THANK YOU FOR PROVIDING ME THE OPPORTUNITY TO DISCUSS OUR REPORT.
AT THIS TIME, MY COLLEAGUES AND I WILL BE HAPPY TO ANSWER ANY
QUESTIONS YOU MAY HAVE.