

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

**AUDIT OF THE DEPARTMENT OF  
EMPLOYMENT SERVICES'  
SUMMER YOUTH PROGRAM**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

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

Inspector General



June 17, 2009

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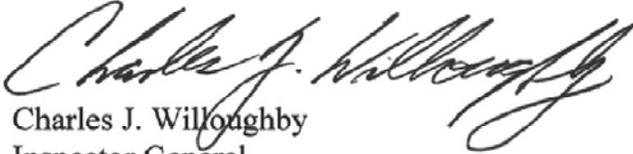
Dear Messrs. Walsh, Albert, and Gragan:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) Audit of the Department of Employment Services' Summer Youth Program (OIG No. 08-2-28CF). We would like to commend DOES officials for acting promptly in response to several in-process briefings given to DOES officials during the course of the audit. These briefings highlighted key deficiencies in the 2008 Summer Youth Program and DOES officials acted promptly to effect program improvements to make the 2009 Summer Youth Program more effective and efficient, with emphasis given to avoiding some of the program failures that occurred in the 2008 program.

Our report contains 24 recommendations for necessary actions to correct the described deficiencies. The Director of the Department of Employment Services (DOES) provided a written response to a draft of this report on June 16, 2009. In its response, DOES highlighted some of the changes for the 2009 Summer Youth Program and discussed some of the corrective actions implemented to date. The full text of DOES' response is included at Exhibit C. DOES plans to respond to each recommendation at a later date. We did not receive responses to the draft report from the Office of the City Administrator and the Office of Contracting and Procurement (OCP). We request that DOES coordinate the response to the final report with the Office of the City Administrator and OCP.

We appreciate the cooperation and courtesies extended to the audit team during the course of the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audit at (202) 727-2540.

Sincerely,



Charles J. Willoughby  
Inspector General

Enclosure

CJW/mg

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# AUDIT OF THE DEPARTMENT OF EMPLOYMENT SERVICES’ SUMMER YOUTH PROGRAM

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**ACRONYMS**

AFO	Agency Fiscal Officer
BAFO	Best and Final Offer
CFSA	Child and Family Services Agency
CIO	DOES Chief Information Officer
CIP	Customer Identification Program
CO	Contracting Officer
COBIT	Control Objectives for Information and Related Technology
COTR	Contracting Officer’s Technical Representative
CSP	Competitive Sealed Proposal
CTO	Chief Technology Officer
DCCC	D.C. Chamber of Commerce
DCFEMS	D.C. Fire and Emergency Medical Services
DCMR	District of Columbia Municipal Regulations
DCPS	District of Columbia Public Schools
DHS	Department of Human Services
DMPED	Deputy Mayor for Planning and Economic Development
DOB	Date of Birth
DOES	Department of Employment Services
DSAP	DOES Standard Application Platform
DYRS	Department of Youth Rehabilitation Services
EBT	Electronic Benefits Transfer

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**AUDIT OF THE DEPARTMENT OF EMPLOYMENT SERVICES’  
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**ACRONYMS**

EOM	Executive Office of the Mayor
GAO	Government Accountability Office
IDIQ	Indefinite-Delivery Indefinite-Quantity
IT	Information Technology
MOU	Memorandum of Understanding
OCFO	Office of the Chief Financial Officer
OCP	Office of Contracting and Procurement
OCTO	Office of the Chief Technology Officer
ODCA	Office of the District of Columbia Auditor
OFT	Office of Finance and Treasury
OIG	Office of the Inspector General
OIT	DOES Office of Information Technology
OLA	Office of Latino Affairs
OYP	Office of Youth Programs
PSIP	Private Section Initiative Program
RFP	Request for Proposals
SDLC	Systems Development Life Cycle
SSN	Social Security Number
SYP	Summer Youth Program
TANF	Temporary Assistance for Needy Families
VOS	Virtual One-Stop

## **EXECUTIVE DIGEST**

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### **OVERVIEW**

This report summarizes the results of the Office of the Inspector General's (OIG) Audit of the Department of Employment Services' Summer Youth Program (OIG No. 08-2-28CF). Councilmember Marion Barry, former Councilmember Carol M. Schwartz, and the former City Administrator/Deputy Mayor requested that our Office conduct the audit.

The overall objectives of the audit were to determine whether the Department of Employment Services (DOES): (1) operated the Summer Youth Program (SYP) 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 safeguard against fraud, waste, and abuse.

During the course of our audit, we provided DOES management with detailed briefings (December 17, 2008, and April 2, 2009) concerning our observations and findings for the 2008 SYP. At our briefings, we discussed proposed recommendations for correcting the identified deficiencies so that DOES could initiate corrective action prior to the start of the 2009 SYP. DOES officials acted promptly to address certain deficiencies and enacted some of our recommendations to make the 2009 SYP more effective and efficient than the 2008 SYP and to avoid some of the program failures that occurred during the 2008 SYP.

### **CONCLUSIONS**

This report contains 11 findings that detail the conditions found during our audit. The findings are grouped into four sections. In Section I, "Planning for the Summer Youth Program," we discuss the deficiencies that we found in the SYP planning process. This section includes three findings (Findings 1, 2, and 3). In our first finding, we discuss how the Mayor and DOES implemented several new initiatives for the 2008 SYP, which impacted DOES' ability to effectively budget, plan, and operate the program. In our second finding, we disclose that DOES used SYP funds totaling approximately \$531,000 to pay for expenditures unrelated to the program. Our third finding reveals that DOES did not establish adequate internal controls for the 2008 SYP. As a result of these deficiencies, the SYP budget for fiscal year 2008 escalated from \$14.5 million to \$52.4 million, and the 2008 SYP was susceptible to theft, abuse, and fraud.

In Section II, "Information Technology," we discuss the deficiencies in planning and implementing the DOES Standard Application Platform (DSAP), the new system used for registering SYP participants and providing online timekeeping functions. This section includes three findings (Findings 4, 5, and 6). In our fourth finding, we demonstrate that DOES' decision to develop and implement DSAP approximately 2 weeks prior to the start of the 2008 SYP was haphazard and not predicated on a structured information technology (IT) solution acquisition methodology or undertaken in consultation with the Office of the Chief Technology Officer. In our fifth finding, we show that DOES further inhibited the successful

## **EXECUTIVE DIGEST**

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implementation and development of DSAP by not following a structured systems development life cycle protocol/methodology. Our sixth finding discloses the specific DSAP application control deficiencies that we observed during our review. As a result of the IT deficiencies, DSAP did not fully meet the SYP objectives and DSAP data could not be fully relied upon to manage and support the SYP.

In Section III, “Contracting for the Summer Youth Program,” we discuss the deficiencies with the contracts awarded to support the 2008 SYP. This section includes two findings (Findings 7 and 8). In our seventh finding, we point out that the Office of Contracting and Procurement (OCP) did not timely award contracts to the organizations that provided enrichment training to SYP participants. As a result, many SYP participants were unaware of their assignments when the program began and contractors had to rush to perform tasks for their training programs. Additionally, OCP awarded enrichment training contracts to essentially all of the offerors who responded to the solicitation, including offerors who submitted late proposals and received low evaluation scores. Further, OCP awarded a \$200,000 contract to a vendor to recruit businesses to participate in the SYP although DOES staff essentially performed the same task. In our eighth finding, we show that the enrichment training contracts included poorly written payment terms and conditions and, consequently, DOES was obligated to pay contractors for services that they did not perform. For example, two contractors did not provide enrichment training to the minimum number of participants stated in their contracts, but were paid approximately \$324,000 for services that they did not provide.

In Section IV, “Summer Youth Program Operations,” we discuss the operational deficiencies that we found during our audit. This section includes three findings (Findings 9, 10, and 11). In our ninth finding, we demonstrate that there were deficiencies in the SYP registration process, which severely inhibited DOES’ ability to ensure that all participants were eligible to participate in the program. Our tenth finding discloses that DOES employees registered youth for the 2008 SYP who did not meet the eligibility requirements to participate in the program. In our last finding, we reveal that DOES did not establish adequate controls over the management, issuance, distribution, and accountability of debit cards. As a result of these deficiencies, there was an increased opportunity for fraud, waste, and abuse.

### **OTHER MATTERS OF INTEREST**

During our audit, we identified two additional issues. First, we found that DOES did not have written agreements with all of the employers that participated in the 2008 SYP. Second, DOES provided \$630,000 to the Office of Latino Affairs to support the ProUrban Youth Program, but the Office of Latino Affairs provided the funds to an organization without soliciting competition. These issues are discussed in the section entitled “Other Matters of Interest.”

## **EXECUTIVE DIGEST**

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### **RECOMMENDATIONS**

This report contains 24 recommendations, 18 of which are directed to the Acting Director, DOES, that we believe are necessary to correct the deficiencies noted in this report. We also directed two recommendations to the Acting Director, DOES, to act in conjunction with the Executive Office of the Mayor as well as four recommendations requiring coordinated action between the Acting Director, DOES and the Chief Procurement Officer for the Office of Contracting and Procurement. The recommendations, in part, center on:

- Establishing SYP operational and programmatic guidelines prior to developing the budget and creating a management plan, infrastructure, and operational support system for adhering to budgetary constraints.
- Developing and implementing a comprehensive management information system capable of supporting SYP operations;
- Developing adequate contract terms and conditions for compensating contractors providing enrichment training to SYP participants;
- Establishing and implementing measures to ensure only eligible individuals are registered for the SYP; and
- Instituting adequate controls over the management and issuance of debit cards to reduce the risk of fraud, waste, and abuse in the SYP.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

### **MANAGEMENT ACTIONS**

DOES provided a written response to a draft of this report on June 16, 2009. In its response, DOES highlighted some of the changes for the 2009 Summer Youth Program and discussed some of the corrective actions implemented to date. DOES did note that the audit was instrumental in shaping SYP plans for the FY 2009 SYP program. For example, DOES established a tested and comprehensive management information system (MIS) to limit fraud and created an Anti-Fraud Unit for SYP. In addition, DOES reduced associated contract cost by about \$8.8 million. The full text of DOES' response is included at Exhibit C. We did not receive responses to our draft report from the Office of the City Administrator and OCP. We request that DOES respond to each recommendation in this final report, coordinating the DOES response with the Office of the City Administrator and OCP.

## INTRODUCTION

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### BACKGROUND

**DOES Mission and Goals.** The Department of Employment Services (DOES) plans, develops, and administers employment-related services. Under the Passport-to-Work Program, DOES provides a variety of training opportunities to District of Columbia (D.C.) youth ages 14 to 24. The DOES Office of Youth Programs (OYP) administers the Passport-to-Work Program, which focuses on: (1) enhancing the lives of youth; (2) equipping youth with the necessary skills to successfully compete in the labor market; and (3) encouraging youth to become productive D.C. residents and U.S. citizens. There are five programs and initiatives for the Passport-to-Work Program: (1) In-School Youth Program; (2) Out-of-School Youth Program; (3) Summer Youth Program (SYP); (4) Mayor's Youth Leadership Institute; and (5) Federal/Private Sector Initiative. The SYP, which started almost 30 years ago when Councilmember Marion Barry was the Mayor, is the largest of the programs and initiatives.

**Program Eligibility Requirements.** In order to participate in the SYP, registrants must be D.C. residents or D.C. wards, and 14-21 years old at the start of the program.<sup>1</sup> Registrants must complete an application and submit documents to prove their: (1) date of birth; (2) citizenship/alien status; (3) residency; and (4) social security number (SSN). One acceptable document must be submitted for each of the preceding four categories. Illegal immigrants also are allowed to work through the ProUrban Youth Program, even though they may not be able to provide the necessary documents.<sup>2</sup>

**Registration and Youth Participation.** For the 2008 SYP, registration for college students began in December 2007 and registration for all other individuals began on February 2, 2008. DOES originally established April 26, 2008, as the registration deadline. However, the Mayor instructed DOES to eliminate the registration deadline. In previous years, DOES had a registration deadline rather than an "open ended" registration period.

The 2008 SYP began on Monday, June 16, 2008, and ended on Friday, August 22, 2008. The program was originally planned and approved to be a 6-week program. However, the Mayor decided to extend the program to 10 weeks. Although the program was extended, some employers did not participate for the entire period for various reasons. For example, some employers operated their programs in school buildings, which could not be used during the last week of the program because the school buildings had to be prepared for the start of school.

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<sup>1</sup> A ward is a person in the official custody of the District government, on a temporary or permanent basis, because of neglect, abuse, or mental illness or mental retardation. (*See* D.C. Code § 5-1401 (2001)).

<sup>2</sup> DOES provides funds to the Office of Latino Affairs (OLA) through a memorandum of understanding, and OLA provides the funds to a community organization, which operates the ProUrban Youth Program. Illegal immigrants register for this program instead of the SYP. Youth registering through the SYP also participate in the ProUrban Youth Program.

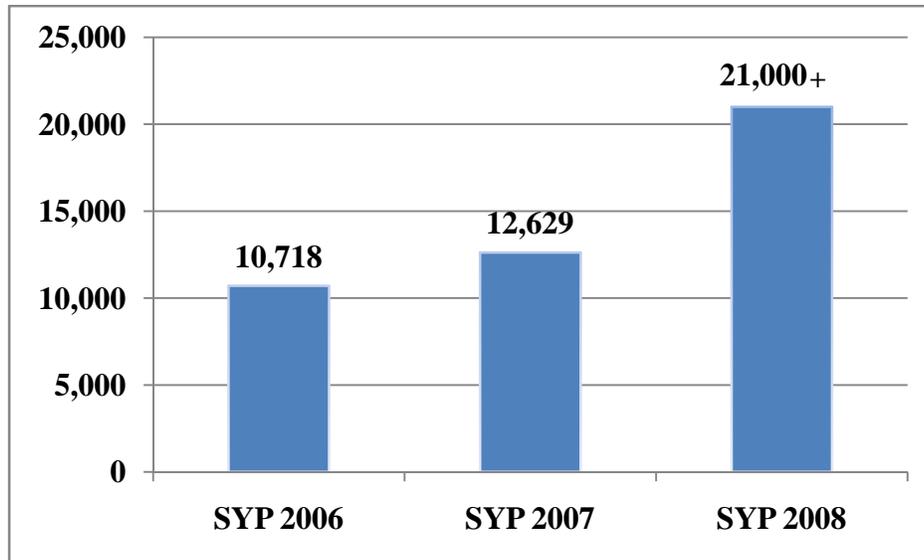
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In the Mayor's 2008 Summer Employment Program newsletter, the District reported that more than 21,000 youth participated in the 2008 SYP.<sup>3</sup> As shown in Figure 1 below, this number represents a significant increase compared to the previous 2 years.

**Figure 1. Comparison of SYP Participation Levels for Last 3 Years<sup>4</sup>**



**Youth Work Assignments.** All SYP participants do not perform work in the traditional sense. For example, all participants do not perform administrative, mechanical, or other work related tasks, such as document filing, trash pick-up, and other similar duties. Instead, some participate in programs providing academic enrichment, employability skills training, and leadership development training. During these types of programs, participants receive instruction on preparing resumes, dressing for interviews, and handling conflicts. Generally, DOES assigns 14-15 year old participants to these types of programs to provide them with a basic understanding of the workplace and assigns older participants to sites where they actually perform work related tasks. Although the participants in these programs are not actually working, District officials believe these programs are essential to keep youth “off of the streets” during the summer.

**Employer Participation.** Both government agencies and private employers participate in the SYP. All participating employers are referred to as “host agencies.” Nearly 500 host agencies participated in the 2008 SYP, some of which paid the entire salaries for the participants assigned to their worksites. The positions offered by these host agencies are

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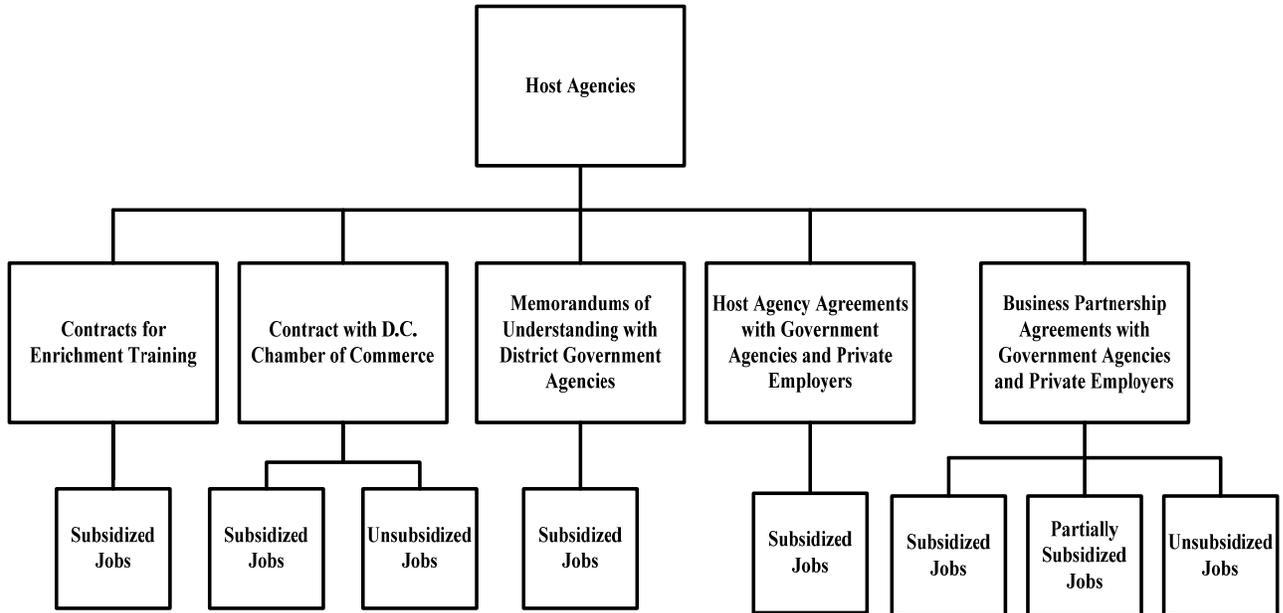
<sup>3</sup> We could not substantiate this figure because the system used for registering participants contained unreliable data.

<sup>4</sup> The figures for 2006 and 2007 are those reported by the District. We did not validate the figures.

## INTRODUCTION

termed “unsubsidized” positions. In other cases, DOES paid all or a portion of the SYP participants’ salaries. These positions are termed “subsidized” and “partially subsidized” positions. Figure 2 below shows the employer participation diagram.

**Figure 2. Employer Participation Diagram**



As shown above, some host agencies have contracts to provide enrichment training and jobs, some host agencies have memorandums of understanding (MOUs), and other host agencies have either host agency agreements or business partnership agreements.

*Contracts.* 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 to SYP participants.<sup>5</sup> DOES paid these contractors a fee to operate their programs in addition to funding the salaries for the participants assigned to these contractors. The OCP also awarded a contract to the D.C. Chamber of Commerce (DCCC), an advocate for local businesses, to recruit District businesses to participate in the SYP and assign participants to work at these businesses.

*Memorandums of Understanding.* DOES signed MOUs with several District agencies that operated programs during the summer. For example, DOES and the Department of Parks and Recreation entered into a MOU for the latter agency to: (1) provide youth with meaningful and structured experiences; (2) expose youth to a diversity of careers through an

<sup>5</sup> Our report refers to these contracts as enrichment training contracts.

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## INTRODUCTION

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interactive, hands-on specialty camp; and (3) use the summer camp experience to stem summer learning loss and motivate youth to stay in school. DOES provided funds to these agencies in addition to paying the salaries for the participants assigned to these agencies.

*Host Agency Agreements and Business Partnership Agreements.* The majority of the host agencies that participated in the 2008 SYP had host agency agreements or business partnership agreements with DOES. Generally, host agencies offering subsidized positions enter into host agency agreements whereas the host agencies offering unsubsidized and/or partially subsidized positions enter into business partnership agreements. Table 1 below shows the number of host agencies participating in the 2008 SYP based on business type.

**Table 1. Host Agency Agreements and Business Partnership Agreements (Per Business Type)**

<b>Business Type</b>	<b>Host Agency Agreements<sup>6</sup></b>	<b>Business Partnership Agreements<sup>7</sup></b>
District Agencies	86	5
Federal Agencies	23	3
Private Employers	285	39
<b>Total</b>	<b>394</b>	<b>47</b>

**Youth Working Hours and Compensation.** The number of hours that participants are allowed to work is dependent upon their age and site assignment. The Summer Youth Program Participant’s Handbook provides, “If you are 14 or 15 years old, you will be engaged in activities four hours each day, a maximum of 20 hours per week. If you are between 16 and 21 years old, you will be engaged ... six hours each day, a maximum of 30 hours each week.” However, DOES program staff stated that some participants 18 years old and older work 40 hours per week. These are typically college students and participants assigned to private employers who pay their salaries.

DOES paid participants at the federal minimum wage rate. The minimum wage rate for the first two pay periods was \$5.85 per hour. Effective July 21, 2008, the federal minimum wage increased to \$6.55 per hour, and participants began earning at the higher rate. Participants whose salaries are paid by private employers may earn higher hourly wages. In addition, college students assigned to District agencies may earn a higher hourly rate. District and federal taxes are not withheld from the participants’ earnings. However, by law, social

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<sup>6</sup> We reviewed the host agency agreements provided by DOES to obtain this information.

<sup>7</sup> We had to rely on data included in a report prepared by DOES to extract information relating to business partnership agreements.

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## INTRODUCTION

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security taxes are deducted from their earnings. There were six pay periods during the summer. Table 2 shows the pay periods and the corresponding pay dates for the 2008 SYP.

**Table 2. Pay Schedule for 2008 SYP**

Pay Period	Pay Date
06/16/08 - 06/21/08	07/01/08
06/23/08 - 07/04/08	07/18/08
07/07/08 - 07/18/08	08/01/08
07/21/08 - 08/01/08	08/15/08
08/04/08 - 08/15/08	08/29/08
08/18/08 - 08/22/08	09/12/08

For the 2008 SYP, J.P. Morgan Financial Services (J.P. Morgan) opened direct payment card accounts for the SYP participants and issued debit cards to them.<sup>8</sup> When it was time for participants to get paid, the District placed funds in their accounts, and the participants accessed funds by using their debit cards. This was the first year that participants received debit cards. Prior to the 2008 SYP, participants received Electronic Benefits Transfer (EBT) cards. J.P. Morgan had an established relationship with the District prior to the 2008 SYP. In 2004, the Office of the Chief Financial Officer (OCFO) awarded a contract to J.P. Morgan for the financial institution to provide EBT services for five District programs, and on May 28, 2008, the OCFO modified the contract to include debit card services for the Passport-to-Work Program at no additional cost to the District.<sup>9</sup> During the 2008 SYP, the District also had to issue checks to some participants because they did not receive their debit cards.

**Budget and Expenditures for the 2008 SYP.** The DOES approved budget for fiscal year 2008 was \$117.7 million. Of this amount, \$27.9 million was approved for the OYP.<sup>10</sup> DOES did not have a separate budget line item for the SYP. Initially, DOES internally allocated \$14.5 million of the funds for the SYP. However, unforeseen circumstances (such as the increase in the minimum wage rate) and widespread programmatic problems caused the budget to escalate to over \$50 million.

As of March 5, 2009, DOES paid expenditures totaling approximately \$47.4 million for the 2008 SYP.<sup>11</sup> The majority of the expenditures were attributed to wages and benefits for SYP

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<sup>8</sup> Participants are not allowed to make deposits into their direct payment card accounts. The only deposits allowed are those made by the District government.

<sup>9</sup> This modification was in accordance with the terms established in the contract.

<sup>10</sup> According to the Agency Fiscal Officer (AFO), \$3 million of the \$27.9 million represented federal funds, while the remaining \$24.9 million represented local funds.

<sup>11</sup> The audit team had to rely on documents provided by the AFO to determine the total expenditures because there was no separate budget line item for the SYP.

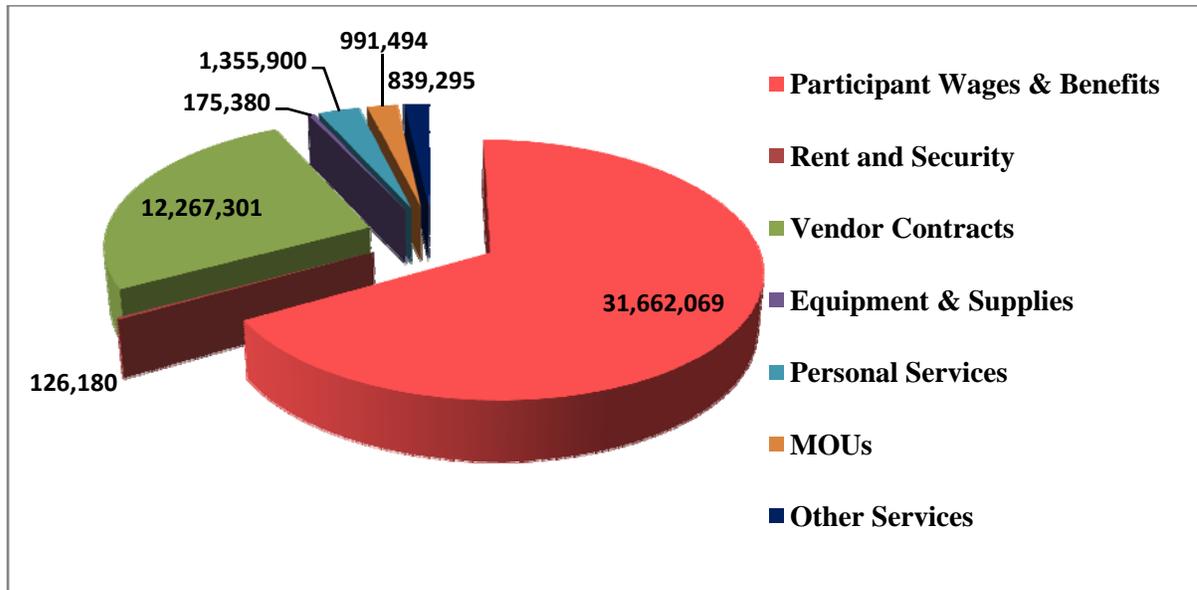
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## INTRODUCTION

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participants and other individuals who received payments. Figure 3 below shows the expenditures per category.

**Figure 3. FY 2008 SYP Expenditures as of March 5, 2009**



### OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine whether DOES: (1) operated the SYP 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 safeguard against fraud, waste, and abuse. Members of the Council of the District of Columbia (Council), and the City Administrator/Deputy Mayor requested that our Office conduct the audit.

To accomplish our audit objectives, we performed the following: (1) evaluated the registration process for participation in the SYP; (2) reviewed host agency agreements and contracts; (3) interviewed contractors participating in the program; (4) conducted a physical inventory of the debit cards stored at DOES; (5) reviewed debit card information obtained from J.P. Morgan; and (6) analyzed budget and funding documents. We also reviewed the process for developing and implementing the DOES Standard Application Platform (DSAP) system (the new system used for registering participants and providing online timekeeping functions), although we did not perform a full application review of DSAP. Additionally, we determined whether individuals identified by DOES as 2008 SYP participants completed applications to participate in the program. Using the Audit Command Language software,

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## INTRODUCTION

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we selected a statistical sample of 131 participants out of a universe of 21,127 participants.<sup>12</sup> In determining our sample, we used 95 percent as the confidence level,  $\pm 7$  percent as the desired precision, and 3 percent as the expected error rate.

Further, we interviewed several District officials. We interviewed DOES staff, including the former DOES Director, OYP program staff, and Office of Information Technology (OIT) staff. Three key DOES managers involved in the 2008 SYP - the Chief Information Officer (CIO) for the OIT, Director of OYP, and Manager of SYP - were terminated prior to our audit, and we were unable to interview them. We also interviewed the following: the AFO for DOES; the Director of CapStat; the Chief of Budget Execution for the Office of City Administrator; the Chief Technology Officer for the Office of the Chief Technology Officer (OCTO); and officials at other District agencies.

We received computer-processed data (including data from DSAP) provided by DOES staff, but our review determined that the computerized data were not reliable. As evidenced by the Mayor's decision to pay all 2008 SYP participants for the maximum allowable hours, District officials also concluded that the computerized data used to pay the participants were unreliable. Consequently, we did not rely solely on computerized data provided by DOES and performed additional audit work to compensate for the unreliable data. For example, we reviewed the host agency agreements and business partnership agreements to determine the number of host agencies participating in the program because DSAP contained inactive host agencies (i.e., host agencies that participated in the program in the past, but not in 2008).

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### PRIOR REVIEWS

**Office of the D.C. Auditor.** On February 27, 2009, the Office of the D.C. Auditor (ODCA) issued a 20-page letter report entitled *Letter Report: Responses to Specific Questions Regarding the Department of Employment Services' 2008 Summer Youth Employment Program*. The letter report presents the ODCA's responses to seven specific questions raised in an August 6, 2008, letter from the Chairman, Council of the District of Columbia. The seven questions that the ODCA's letter report addressed are as follows:

1. Whether youth were paid, who had not worked all or a portion of the hours for which they were paid;

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<sup>12</sup> The DSAP registration file identified these 21,127 participants as D.C. residents.

## INTRODUCTION

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2. Whether there were instances when youths have been paid to sit in place for the day, without performing any work. If so, why were youth brought into the program if there were no jobs available for them;
3. Whether timesheets were provided to document hours worked before payment;
4. Whether youth had been paid, who had not even received a work assignment in the DOES Summer Youth Employment Program;
5. What policy decisions were made, and who made these decisions, that caused the Program to exceed its approved budget by an estimated \$20.1 million;
6. Whether some organizations who have volunteered to be employers did not receive placements, and if so, why; and
7. Whether there were any youth in the program who do not reside in the District of Columbia.

The ODCA's audit was performed during the same time period that we conducted our audit and addressed many of the same issues that are covered in this report. However, this audit report addresses additional issues and may reach dissimilar conclusions and results on some of the issues addressed in the ODCA's report. We are unable to measure the responsiveness of the District and DOES management to the letter report because ODCA did not make any recommendations in its letter report and did not request that responsible District and DOES managers provide a formal response to the letter report. However, the ODCA's letter report provides that the ODCA would be continuing its audit efforts and would provide the details of those findings and recommendations in a future report.

**Executive Office of the Mayor.** At the Mayor's request, the CapStat Director conducted an internal investigation of the 2008 SYP. The objectives of the investigation were to: (1) identify the problems associated with the program; (2) describe how and why the problems developed; and (3) discuss the actions underway to prevent the problems from recurring. The 36-page report entitled, *Findings of an Internal Investigation Regarding the District's 2008 Summer Youth Program*, (CapStat Report) was issued on August 12, 2008. The findings and recommendations made in the CapStat Report addressed many of the same issues that are covered in this report and are detailed in the following paragraph.

The CapStat Report detailed deficiencies in the following categories: (1) budgeting and expenditures for the 2008 SYP; (2) DSAP implementation, data reliability, and operations; (3) contracting for enrichment and work services; and (4) breakdowns in 2008 SYP internal controls and operational processes.

## INTRODUCTION

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The CapStat Report includes short-term and long-term recommendations. The short-term recommendations address the severe deficiencies that were occurring in the 2008 SYP's timekeeping and payroll functions. The short-term recommendations were not specifically addressed to a particular District entity; however, we determined that DOES and OCTO took actions to lessen the impact of inaccurate data and the resulting consequences of paying youths who may not have participated in 2008 SYP. The nine long-term recommendations, which were based on the deficiencies observed in the 2008 SYP, addressed deficiencies in the following areas:

- (1) SYP operations, content, and quality;
- (2) OYP/SYP staff qualifications, skills, and training;
- (3) enforcing host agency compliance with time and attendance policies;
- (4) registration and referral processes and operations;
- (5) identification and implementation of automated solutions;
- (6) information and data integrity; and
- (7) payment instrument solutions.

We are unable to measure the District and DOES managements' responsiveness to the long-term recommendations because the CapStat Director did not require that District and DOES managers provide a formal response to the report.

**U.S. Government Accountability Office.** We did not find any prior reviews of the SYP conducted by the U.S. Government Accountability Office (GAO) in the last 5 years.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION I. PLANNING FOR THE SUMMER YOUTH PROGRAM

<b>FINDING 1. MANAGEMENT INITIATIVES</b>
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#### SYNOPSIS

The Mayor and DOES implemented several new initiatives for the 2008 SYP, which negatively impacted DOES' ability to effectively budget, plan, and operate the program. We believe these initiatives were well intended. However, prior to implementing the new initiatives, the Executive Office of the Mayor (EOM) and DOES did not formally assess the impact of the initiatives on the program's budget and operations. As a result, the SYP budget for FY 2008 escalated from \$14.5 million to \$52.4 million and operational failures occurred.

#### DISCUSSION

In May 2007, the Council of the District of Columbia (Council) approved the District's FY 2008 budget. After the Council approved the budget, the Mayor and DOES management implemented several new initiatives for the 2008 SYP. For example, in the approximate timeframe of either late February or early March 2008, the Mayor decided to allow all interested youth to participate in the SYP irrespective of adherence to the registration deadline. The following table shows all of the new initiatives for the 2008 SYP and which are attributed to the Mayor and DOES.

**Table 3. Management Initiatives for 2008 SYP**

Management Initiative	Mayor	DOES
Extend the program to 10 weeks	X	
Eliminate registration deadline	X	
Change payment method from EBT cards to debit cards		X
Implement a new time and attendance system		X
Allow summer school students to participate in the SYP	X	

Although well intended, District officials did not develop a plan to ensure the SYP stayed within the approved budget, and they did not assess the implications of their initiatives on SYP operations. The Mayor and DOES' decision to undertake the new initiatives strongly impacted the SYP budget escalation from \$14.5 million to \$52.4 million.

**2008 SYP Planning and Budgeting.** In order to effectively plan and budget for the SYP, the following factors must be considered: (1) the duration of the program; (2) the

## FINDINGS AND RECOMMENDATIONS

number of participants and the attrition rate;<sup>13</sup> (3) the hourly wage rate; and (4) the number of working hours for the participants, which is based on their age. Further, the number of job and enrichment opportunities (unsubsidized and subsidized) is also a determining factor. If the number of unsubsidized job opportunities increases, then DOES can allow a larger number of youth to participate in the program without increasing the budget. A significant change in any of the four preceding factors can cause the SYP budget to increase. Table 4 illustrates how the budget increased from the original budgeted amount of \$14.5 million to \$52.4 million at the end of the 2008 SYP.

**Table 4. Budget Increases and Assumptions**

Source of Funds	Approved Date <sup>14</sup>	Amount (Millions)	Youth Before Attrition	Youth After Attrition	Program Weeks	Factors Impacting the Budget
Original Budget	05/2007	\$14.5	15,000	10,500	6	
Supplemental Budget	12/2007	7.0	15,000	9,100	10	minimum wage and program length increase
Reprogramming Request	07/2008	10.8	21,018	-	10	extended registration deadline
Contingency Reserve Fund	08/2008	20.1	-	-	-	decision to “pay all” and unfunded amount
<b>Total Revised Budget</b>		<b>\$52.4</b>				

*Original Budget of \$14.5 Million.* When the Council approved the District’s FY 2008 budget, the approved budget for the OYP was \$27.9 million. DOES did not have a separate line item for the SYP, and the budgeted amount represents the budget for the SYP as well as the other youth programs. DOES internally allocated \$14.5 million of the budgeted amount for the SYP. Based on the approved budget, the District planned for 15,000 youth to participate in the SYP (10,500 after factoring in the attrition rate)<sup>15</sup> and intended the program to last 6 weeks. According to the AFO, DOES internally designated \$3 million of the initial \$14.5 million budget for contractors to provide enrichment training to SYP participants.

<sup>13</sup> The attrition rate refers to the reduction in the number of participants, and accounts for the number of participants who will not remain in the SYP for the entire length of the program.

<sup>14</sup> The approved dates for the original budget, supplemental budget, and reprogramming request represent the dates that the Council approved the funding, and the approved date for the contingency reserve fund represents the date that OCFO approved the funding.

<sup>15</sup> DOES and the AFO used historical data to determine the attrition rate.

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## FINDINGS AND RECOMMENDATIONS

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*Budget Increase from \$14.5 Million to \$21.5 Million.* Two factors contributed to the increase in the original budget. On May 25, 2007, the Fair Labor Standards Act was amended to increase the federal minimum wage to \$5.85 per hour, effective July 24, 2007, and \$6.55 per hour, effective July 24, 2008. When the District submitted the budget for FY 2008, the Fair Labor Standards Act had not been amended. This legislative mandate contributed to the increase in the initial SYP budget. Additionally, after the Council approved the District's initial \$14.5 million budget, the Mayor decided to increase the length of the 2008 SYP to 10 weeks. This decision also led to an increase in the initial budget. The Mayor's decision was not in writing, but the former DOES Director stated that the Mayor made this decision in the fall of 2007.

In December 2007, the Council passed the Fiscal Year 2008 Supplemental Appropriations Emergency Act of 2007, to increase the SYP budget by \$7 million. The legislation provided that the \$7 million increase was to support 15,000 registrants for 10 weeks. According to the AFO and the Chief of Budget Execution for the Office of the City Administrator, the \$7 million increase incorporated the minimum wage increase as well as the 4 week extension. The \$7 million supplemental budget brought the revised SYP budget to \$21.5 million.

Although the Fiscal Year 2008 Supplemental Appropriations Emergency Act provided for increased funding, the AFO still projected a budget deficit. In an email sent to the Associate Chief Financial Officer for Economic Development and Regulation Cluster and the former DOES Director, dated December 12, 2007, the AFO reported that there would be a \$6 million deficit to implement the "enhanced" program. We were unable to determine if this \$6 million projected deficit was relayed to the EOM in December 2007.

*Budget Increase from \$21.5 Million to \$32.3 Million.* On February 29, 2008, DOES hosted the Summer Youth Program Registration and Career Expo. According to the former DOES Director, at this event, the Mayor instructed her "to turn no youth away." The former Director recalled that the Mayor told her to "find the kids and do not worry about the funding." This instruction to the former Director was not in writing. However, the Mayor made his initiative known in the State of the District Address on March 14, 2008. In an excerpt from this address, the Mayor stated: "This year, I've made it clear that every student who wants a summer job will have one." EOM officials stated that the Mayor wanted youth to be able to register for the program at any time because he felt it was important to have jobs for all youth who wanted to participate.

When the Council approved the \$7 million supplemental funding in December 2007, the revised \$21.5 million budgeted amount was only intended to cover 15,000 participants. However, the number of SYP registrants continued to increase beyond 15,000 because of the Mayor's initiative to "turn no youth away." Throughout the registration period, DOES apprised EOM officials of the increasing registration numbers. Starting in March 2008, DOES management began reporting the number of registrants and slots (jobs) to

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## FINDINGS AND RECOMMENDATIONS

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EOM. Table 5 shows the number of registrants and the number of slots at certain intervals.

**Table 5. Number of Slots and Registrants**

Dates	03/28/08	04/04/08	04/18/08	04/25/08	05/02/08	05/09/08	05/16/08
Actual Slots	5,239	5,938	6,260	6,437	6,642	6,838	7,469
Potential Slots <sup>16</sup>	+ 7,200	+ 7,200	+ 7,200	+ 7,200	+ 7,200	+ 8,400	+ 9,052
Total Slots	12,439	13,138	13,460	13,637	13,842	15,238	16,521
Registrants	- 7,661	- 8,679	-10,644	-14,885	-15,335	-15,422	-16,369
<b>Difference</b>	<b>4,778</b>	<b>4,459</b>	<b>2,816</b>	<b>-1,248</b>	<b>-1,493</b>	<b>-184</b>	<b>152</b>

As of April 25, 2008, the SYP had more registrants signed up for the program than the total number of actual and potential slots, and there were over 15,000 registrants as of May 2, 2008. This led District officials to again seek additional funds for the SYP.

On May 8, 2008, the AFO notified EOM that DOES needed an additional \$5.61 million to pay the SYP participants, and on May 12, 2008, the former DOES Director reported that DOES also needed additional funds for the enrichment training contracts. Subsequently, on June 5, 2008, the former DOES Director notified EOM again that DOES needed additional funds. She also reported that DOES was now expecting 20,000 SYP participants with the influx of the summer school students.<sup>17</sup> In response to the former DOES Director, an EOM official asked how much additional money was needed. The AFO reported that DOES needed an additional \$4.8 million for the enrichment training contracts, and the projected deficit for the participants' wages was now more than \$5.61 million due to the current projected number of participants (20,000 participants). To support the increase in the revised projected budget, on July 2, 2008, the Mayor submitted a request to the Council to authorize the reprogramming of \$10.8 million. On July 17, 2008, the Council approved the request, and the \$10.8 million reprogramming brought the SYP revised budget to \$32.3 million.

As demonstrated, the Mayor's initiative to "turn no youth away" negatively impacted the SYP budget. Eliminating the registration deadline and turning no youth away made it impossible for DOES to stay within the initial SYP budget. There were other negative effects. DOES informed us that, due to the Mayor's initiative, DOES had to register

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<sup>16</sup> The potential slots were designated for the participants whom DOES expected to assign to the enrichment service contractors and the District agencies with MOUs. The slots are referred to as potential slots because the contracts had not been awarded and the MOUs had not been signed by mid-May 2008.

<sup>17</sup> According to EOM officials, the Mayor approved the decision for summer school students to participate in the SYP in early June 2008, because he thought it was important for youth not to have to choose between attending summer school and working.

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## FINDINGS AND RECOMMENDATIONS

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youth for the SYP even during the last week of the program. One of the program goals was to provide enrichment training to the 14-15 age group. Given this goal, we found questionable benefit in allowing youth to start working during the last week of the program. The only benefit they could have received was a quick monetary benefit. Contractors providing enrichment training also stated that accepting students in the middle of the program was disruptive. The decision to allow summer school students to participate in the program in early June 2008 also was not beneficial because the timing of the decision did not provide for adequate planning. When we interviewed school officials responsible for supervising the summer school students, we determined that students sometimes received pay for completing their school work assignments because school officials did not have adequate time to establish a SYP work or training program for them.

*Budget Increase from \$32.3 Million to \$52.4 Million.* On July 30, 2008, the Mayor sent a request to the Chief Financial Officer to use the District's Contingency Cash Reserve.<sup>18</sup> The request stated that an amount up to \$20.1 million was needed to fund participant payroll expenses through the end of the SYP, and due to several factors - including the tremendous increase in program registration - payroll expenses were much higher than originally foreseen. Further, the request stated, "this allocation from the Contingency Reserve is necessary to ensure that all youth who have worked receive pay on time." In August 2008, the Chief Financial Officer approved the request, increasing the revised budget to \$52.4 million. The Council did not have to approve this request.

Although not specifically stated in the Mayor's request to the Chief Financial Officer, DOES needed additional funds partially because of the Mayor's decision to "pay all" of the individuals in DSAP. The Mayor instructed DOES to pay all of the youth for their maximum possible hours for the first three pay periods because EOM officials did not trust the information in DSAP.<sup>19</sup> As a result, participants were paid for more hours than they actually worked. For example, if DSAP showed that a 15-year old youth worked 10 hours for 1 week, the youth would receive pay for 20 hours even if he only worked 10 hours. We concluded that EOM had valid concerns because DOES' decision to develop and implement DSAP approximately 2 weeks prior to the SYP start date was not predicated on a structured information technology (IT) solution acquisition methodology.<sup>20</sup>

Additionally, the Mayor's "pay all" directive resulted in the District paying individuals who did not participate in the 2008 program. This occurred because debit cards were created for all individuals in the DSAP registration file and everyone in the registration file was not a 2008 SYP participant. When the Mayor initially made the "pay all"

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<sup>18</sup> This request was made during the middle of the fourth pay period of the program.

<sup>19</sup> Despite the "pay all" decision, some youth who worked in the SYP still did not get paid or paid correctly.

<sup>20</sup> This conclusion is discussed in detail in Finding 4, *DOES Standard Application Platform Planning*.

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## FINDINGS AND RECOMMENDATIONS

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decision, it is uncertain whether he was aware that DSAP included individuals who did not participate in the 2008 SYP. According to an EOM official, the CapStat team suspected there were individuals in the system who did not register for the 2008 SYP; however, this information was not confirmed until OCTO got involved with the payment process during the fourth pay period. Further, the “pay all” directive resulted in funds being placed on debit cards for participants assigned to unsubsidized host agencies.<sup>21</sup>

Although additional funds were needed to support the “pay all” decision, our assessment showed that DOES would have still needed additional funds, beyond the revised \$32.3 budgeted amount, even if the Mayor had not issued the “pay all” directive because DOES did not accurately calculate the amount of money needed to support 20,000 participants. We were unable to determine the exact amount that would have been required if the Mayor had not issued the “pay all” decision. According to the AFO’s estimate, DOES would have needed an additional \$6 million above the \$32.3 million to support the SYP.

**Future Plans for 2009 SYP.** During briefings with the Acting DOES Director in December 2008 and April 2009, we discussed how DOES plans to manage the 2009 SYP. The Acting Director told us that the Mayor again plans to “turn no youth away” for the 2009 SYP. We believe the Acting Director is committed to improving the program; however, the Mayor’s initiative to “turn no youth away” may make it impossible for DOES to stay within its current 2009 SYP budget.

According to the Acting Director, 15,000 youth have registered for the 2009 SYP as of April 2, 2009, and more are expected to register this year than in the past due to the poor economy. DOES currently does not have enough funds in its SYP budget to support the 2009 SYP. As of March 2009, DOES had internally allocated \$22.9 million for the 2009 SYP, but DOES projects that it will need \$33 million just to pay the participants’ salaries. Consequently, DOES will need at least \$10 million more than is currently budgeted to support the “turn no youth away” initiative. We believe that the District needs to take an intensive look at the SYP and develop a corresponding management plan, infrastructure, and operational support system to stay within its budget instead of increasing SYP participation irrespective of cost and program quality.

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<sup>21</sup> These youth are discussed in Finding 11, *Debit Card Operations*.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION I. PLANNING FOR THE SUMMER YOUTH PROGRAM

<b>FINDING 2. EXPENDITURES FOR THE SUMMER YOUTH PROGRAM</b>
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#### SYNOPSIS

DOES used SYP funds for expenditures that were not related to the SYP. DOES entered into an MOU with the D.C. Fire & Emergency Medical Services Department (DCFEMS) to support the Cadet Training Program. DOES also entered into an MOU with the Deputy Mayor for Planning and Economic Development (DMPED) to support the Workforce Development Council. Using SYP funds to support these two programs resulted in DOES overspending its SYP budget by approximately \$531,000.

#### DISCUSSION

DOES provided SYP funds, through MOUs, to other District government agencies to support programs that they operated. Some agencies (such as Department of Parks and Recreation and the OLA) operated programs for SYP participants. However, the DCFEMS and DMPED received SYP funds to support programs that did not benefit SYP participants.

**Cadet Training Program.** In August 2006, DOES and DCFEMS executed an MOU requiring DOES to support the DCFEMS' Cadet Training Program. The MOU required DOES to provide \$784,831 to DCFEMS, and under the MOU, DCFEMS was responsible for training 25 D.C. residents between 18-20 years old. The original term of the MOU was from October 1, 2006, through September 30, 2007; however, in May 2007, the former DOES Director and DCFEMS modified the MOU to extend the period of performance to December 22, 2007. In FY 2007, DOES provided \$491,638 to DCFEMS, which left a remaining balance of \$293,193. In FY 2008, DOES provided \$215,017 to DCFEMS to support the Cadet Training Program using funds designated as SYP funds.

When we met with the AFO, he explained that the Cadet Training Program was originally funded with federal money, but that DOES has been providing funds to support the program for several years because the federal funds were not sufficient to support the entire cost of the program. Although the Cadet Training Program may be categorized as a youth program just like the SYP, DOES should not have used funds that were internally designated as SYP funds to support the training program. Out of the five OYP programs and initiatives, the Cadet Training Program should have been categorized as an Out-of-School youth program. Consequently, DOES should have used funds that were internally designated as Out-of-School funds to support the Cadet Training Program. If

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DOES had not used SYP funds to support the Cadet Training Program, DOES could have reduced overspending its 2008 SYP budget by \$215,017.

**Workforce Development Council.** In November 2007, DOES and the DMPED entered into an MOU that requires the DMPED to furnish administrative/staffing services to support the legal mandates and activities of the Workforce Investment Council. The MOU requires DOES to provide \$632,000 to DMPED. The term of the MOU was from October 1, 2007, through September 30, 2008. In FY 2008, DOES provided \$316,000 to DMPED using funds internally designated as SYP funds. Clearly, this MOU was unrelated to the SYP, and funds internally designated as SYP funds should not have been used to support this MOU. Additionally, this MOU is unrelated to any of the DOES' youth programs. If DOES had not used SYP funds to support the Workforce Development Council, DOES could have reduced overspending its 2008 SYP budget by an additional \$316,000.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION I. PLANNING FOR THE SUMMER YOUTH PROGRAM

<h4>FINDING 3. INTERNAL CONTROLS OVER THE SUMMER YOUTH PROGRAM</h4>
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#### SYNOPSIS

DOES did not establish adequate internal controls over the 2008 SYP. DOES did not: (1) develop formal policies and procedures for critical processes; (2) properly secure undistributed debit cards; (3) segregate key duties and responsibilities among different people; and (4) provide adequate training to staff and host agencies. We attributed these conditions to the lack of management oversight. As a result, DOES could not provide assurances that operational practices were consistent with organizational objectives and that program results were effectively achieved. Further, the 2008 SYP was susceptible to theft, abuse, and fraud due to the inadequate controls over undistributed debit cards.

#### DISCUSSION

GAO's Standards for Internal Control in the Federal Government (Standards for Internal Control)<sup>22</sup> provides the following:

Internal control is a major part of managing an organization. It comprises the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud . . . . Internal control should provide reasonable assurance that the objectives of the agency are being achieved . . . .<sup>[23]</sup>

DOES did not establish adequate internal controls over the 2008 SYP, to include: (1) developing formal policies and procedures; (2) properly securing undistributed debit cards; (3) segregating key duties and responsibilities among different employees; and (4) providing adequate training to staff and host agencies.

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<sup>22</sup> GAO's publication "Standards for Internal Control in the Federal Government" provides definitions and fundamental concepts pertaining to internal control at the federal level. However, the standards may be useful to others at any level of government. Although District government agencies are not required to follow these standards, they can use GAO's standards to provide the overall framework for establishing and maintaining internal controls and identifying areas susceptible to fraud, waste, abuse, and mismanagement.

<sup>23</sup> STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT 4 (Nov. 1999).

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## FINDINGS AND RECOMMENDATIONS

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**Policies and Procedures.** The GAO’s Standards for Internal Control provide that control activities, such as policies and procedures, help ensure actions are taken to reduce risk.<sup>24</sup> DOES did not establish and implement adequate policies and procedures for the following processes: (1) registration; (2) timekeeping and payroll; (3) custody and control of debit cards; and (4) protection of sensitive data.

*Policies and Procedures for Registration.* Registration for the SYP is the first of two integral and critical components to enroll and pay SYP participants. In response to our request for operational policies and procedures, DOES management initially provided us with the 2008 SYP Participant’s Handbook. However, the handbook is a SYP participant instructional and informational manual and not an SYP operational policy and procedure manual.

Subsequently, the Interim OYP Director provided written registration procedures to us. The Interim OYP Director stated that the procedures were in effect for the 2008 SYP and were provided to each OYP supervisor. These procedures did not discuss the entire registration process. For example, the registration procedures did not discuss the process for entering youth in the registration and timekeeping system or the process for assigning youth to worksites. In addition, DOES management did not sign or date the registration procedures.

When we interviewed program staff involved in the registration process, some staff members stated that there were no policies and procedures while other staff members stated that there were some policies and procedures, but they did not have a copy of them. DOES management apparently did not communicate or distribute the procedures to all OYP staff. In order for policies and procedures to be effective, management must distribute the policies and procedures to all applicable staff and communicate the policies and procedures to staff through initial training and refresher training. The policies and procedures must also be signed, dated, and periodically updated to reflect new processes.

*Policies and Procedures for Timekeeping and Payroll.* Timekeeping is the second integral component to enroll and pay SYP participants. The host agencies and DOES jointly accomplish the timekeeping processes. The host agencies are responsible for determining the number of hours worked by each participant assigned to them for each pay period and reporting this information to DOES. DOES is responsible for processing pay data so participants can be paid.

In response to our request for time and attendance policies, DOES provided the 2008 SYP Supervisor’s Handbook. The Supervisor’s Handbook provides guidance to host agencies on interacting with SYP participants and performing recordkeeping and timekeeping functions. The Handbook does not provide any internal operating policies

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<sup>24</sup> *Id.* at 11.

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## FINDINGS AND RECOMMENDATIONS

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and procedures that could be used by program staff to accomplish timekeeping and payroll activities.

In addition, the Supervisor's Handbook also does not contain up-to-date information for the host agencies. For the 2008 SYP, host agencies were able to report their participants' work hours to DOES by entering their working hours in an automated system. However, the handbook only discusses the manual process (i.e., completing time and attendance forms) for reporting the participants' work hours.

*Policies and Procedures for Debit Cards.* For the 2008 SYP, participants received debit cards. This was the first year that DOES utilized debit cards to pay SYP participants. Because DOES was responsible for distributing the debit cards to the participants, it was incumbent upon DOES management to establish policies and procedures.

DOES officials admitted that DOES did not develop policies and procedures for the debit card operations. The Supervisor for the OYP Private Sector Initiative Program (PSIP) stated that he was appointed manager of the debit card operations, but that he was "thrown" into the position. He explained that DOES management did not provide him with instructions for managing the debit card operations.

DOES made the decision to utilize debit cards for the 2008 SYP, but did not have a sound plan for distributing, accounting for, or adequately securing the debit cards. The lack of planning placed the District in jeopardy of theft, loss, and abuse of instruments that are negotiable similar to cash.

*Policies and Procedures for the Protection of Sensitive Data.* DOES did not have policies and procedures for protecting sensitive data and a large number of employees had access to sensitive data belonging to SYP participants. Sensitive data, which includes personal data such as a person's SSN, can be used to facilitate identity theft. OYP employees are assigned to one of five programmatic units. However, as in previous years, all of the OYP employees assisted with the 2008 SYP. As such, all OYP employees generally have access to the actual applications and the system used to record participant data. There were approximately 40 employees in the OYP during the 2008 SYP.

During the 2008 SYP crisis, DOES relied on volunteers from other District agencies to provide assistance to its staff. An OIT employee stated that many of the volunteers were given supervisory access to DSAP. Thus, these employees also had access to the participants' sensitive data. According to a list provided by DOES, 64 volunteers representing over 30 agencies and departments provided assistance to DOES during the 2008 SYP. Further, SYP participants who assisted DOES with performing payroll functions had access to sensitive information belonging to other SYP participants.

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## FINDINGS AND RECOMMENDATIONS

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**Physical Security over Undistributed Debit Cards.** The GAO’s Standards for Internal Control provides: “An agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment which might be vulnerable to risk of loss or unauthorized use.”<sup>25</sup>

DOES stored the undistributed debit cards in an unused room where the OIT is located. The door to the debit card room had a cipher lock on it, and employees had to punch in a code in order to enter the room. According to DOES staff, DOES placed this lock on the door to secure the debit cards. During our initial tour of the room, we observed numerous United States postal mail bins sitting on the floor, with undistributed debit cards (inside envelopes) stored inside of the bins. Further, we observed that DOES employees did not maintain a log to indicate when they removed debit cards from the room. Because DOES used a cipher lock, DOES could not track which employees entered the room and when employees entered the room.

To reduce the opportunities for fraud, DOES should have implemented a control procedure known as dual control, which requires the active involvement of two individuals. For example, if DOES had kept the debit cards in a locked cabinet, dual control could have been exercised by providing one individual with the combination to the keyless entry lock and another individual with the key to the cabinet. No one person would have both the combination to the keyless entry lock and the key to unlock the cabinet.

**Segregation of Duties.** The GAO’s Standards for Internal Control provides the following:

Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.<sup>26</sup>

DOES staff was unable to definitively tell us who had access to the room where the undistributed debit cards were stored. In September 2008, the debit card manager stated that five people had the code to enter the room: (1) the former OYP Director; (2) the former CIO/Director of OIT; (3) the Deputy Director of OIT; (4) an IT Specialist; and (5) himself. He also believed that another OIT employee - a Supervisory IT Specialist - had the code. The former CIO/Director and the Supervisory IT Specialist

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<sup>25</sup> STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT 4 (Nov. 1999).

<sup>26</sup> *Id.*

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## FINDINGS AND RECOMMENDATIONS

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were directly involved in developing DSAP. According to the AFO, the former OYP Director told him no more than two people would have access to the room.

No one in the OIT should have had access to the debit card room because OIT employees (particularly the employees who developed DSAP) had unfettered access to DSAP and the OIT was responsible for developing the payroll file, which was used to pay SYP participants. OIT staff could make application changes to DSAP and change the registration, timekeeping, and payroll files. Accordingly, OIT staff members could register a participant, make time entries for the participant, add the participant in the corresponding payroll file, and retrieve the corresponding debit card. Further, OIT employees did not need access to the room because they were not responsible for distributing debit cards to participants. In December 2008, the Interim OYP Director stated that the code to the room was changed in August 2008.<sup>27</sup> However, she indicated that one OIT employee - the Deputy Director of OIT - still had access to the room. To the Interim OYP Director's knowledge, only the Deputy Director of OIT and the manager of the debit card operations had the new code to enter the room.

Proper segregation of duties for the SYP would require the following tasks to be separated:

- registering and referring participants to worksites;
- entering participants' work hours in DSAP;
- transmitting the payment file to the authorized financial institution; and
- distributing debit cards and having access to the undistributed debit cards.

To reduce opportunities for fraud, no one person should be involved in more than one of the preceding tasks. Further, the debit card room should not be located in the OIT in order to decrease the opportunity for an OIT employee to compromise the lock and circumvent separation of duties.

**Training for Staff and Host Agencies.** DOES did not develop a training plan or implement a mechanism to ensure that program staff, volunteers, and host agencies received necessary training for the 2008 SYP. We could not verify the adequacy and quality of the training provided; however, based on our conversations with OIT staff and program staff, we believe training was random and ad hoc.

*DSAP Training.* DOES management did not develop a training plan and could not provide a list of the employees and host agencies who received DSAP training. Although OIT provided a 2-3 day training session for OYP staff, it did not develop a formal instructional manual for DSAP. According to an OIT employee, there was a signing

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<sup>27</sup> DOES terminated the former OYP Director and the former CIO/Director of OIT by August 2008.

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sheet, but DOES was unable to provide it to us so we could determine if all OYP staff attended training. Some employees indicated that they did not learn much during training because the training session became more about troubleshooting and program staff spent a significant amount of time discussing the system requirements with the OIT.

Further, OIT did not provide any training to the volunteers who provided assistance to DOES during the 2008 SYP. According to an OIT employee, volunteers were given access to DSAP, but they did not have an understanding of their roles in the system. DOES also did not provide DSAP training to all host agencies participating in the 2008 SYP, although DOES designed the system to allow host agencies to input their participants' working hours in the system. The OIT developed web-based training for host agencies, but the training was not developed until the week before the SYP started. The OIT could not provide us with a list of host agencies that completed the web-based training, and acknowledged that a lot of host agencies did not complete the training.

*Operational Training.* DOES did not have a formal training plan outlining SYP operations. When we interviewed SYP program staff responsible for registering and referring participants, they stated that they received training during their SYP staff meetings. While it is important for management to communicate policies and procedures to staff, it is equally important for management to develop a formal training plan. One SYP employee stated that she has not received formal training since she started working in 1996. The lack of training increases the risk that operational practices will not be consistent with organizational objectives and that program results will not be effectively achieved.

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### SECTION I. PLANNING FOR THE SUMMER YOUTH PROGRAM

<b>RECOMMENDATIONS</b>
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We recommend that the Director of the Department of Employment Services, in conjunction with the City Administrator/Deputy Mayor:

1. Establish SYP operational and programmatic guidelines prior to developing the budget request and, once the budget has been approved, develop a corresponding management plan, infrastructure, and operational support system for adhering to budgetary constraints.
2. Assess the impact of new SYP initiatives on the program's budget and operations prior to implementing the initiatives, and refrain from implementing initiatives that will cause DOES to exceed its approved SYP budget and hinder program operations.

We recommend that the Director of the Department of Employment Services:

3. Develop a cyclic timeline and execute a plan to accomplish SYP milestones and events.
4. Improve oversight for SYP operations by: (a) developing formal policies and procedures for critical processes; (b) segregating key duties and responsibilities among different employees to reduce the risk of fraud, waste, and abuse; and (c) developing training plans for DOES staff and host agencies.

#### **Management Action**

We did not receive a response to our draft report from the Office of the City Administrator. We request that DOES coordinate its response to the final report with the Office of the City Administrator. DOES responded to our draft report on June 16, 2009, taking proactive and positive actions on many of the reported deficiencies and recommended corrective actions. DOES indicated it will provide detailed actions on each of the report recommendations in its response to the final report. The full text of DOES' response to our draft report is included at Exhibit C.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION II. INFORMATION TECHNOLOGY

<b>FINDING 4. DOES STANDARD APPLICATION PLATFORM PLANNING</b>
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#### SYNOPSIS

We believe that the former DOES Director's initiative and vision for DSAP was well intentioned; however, the decision to develop and implement DSAP approximately 2 weeks prior to the start of the 2008 SYP was haphazard and not predicated on a structured IT solution acquisition methodology or undertaken in consultation with OCTO. DOES management's decision to develop and implement DSAP was not based on: (1) a formal and defined business need; (2) an understanding of a structured IT solution acquisition methodology; and (3) an understanding of the timeframes for accomplishing the tasks associated with utilizing an IT solution acquisition methodology. DOES management skipped the IT solution acquisition planning phase and proceeded directly into the systems development phase.

As such, DOES management commenced the DSAP development and implementation project without formally understanding the full scope and dynamics of the development and implementation project and its impact on the 2008 SYP. Consequently, DOES management made a decision to implement an IT solution that could not have been accomplished within the DSAP implementation and program time constraints. Ultimately, this decision led to DSAP not fully meeting 2008 SYP objectives and contributed to the failure and unreliability of the DSAP and the underlying DSAP data.

#### DISCUSSION

DOES management was unable to provide documentation to demonstrate that they adequately conducted a formal exercise to identify an IT solution prior to commencing the development of DSAP. In the absence of any formal documentation, we questioned the former DOES Director and the DOES OIT staff about the basis for attempting the DSAP development and implementation project 2 weeks prior to the start of the 2008 SYP. The former DOES Director's methodology for authorizing the DSAP implementation and failure to comply with OCTO policies are detailed in the following paragraphs.

**DSAP Planning.** The former DOES Director's decision to implement DSAP was based solely on her trust in the former DOES CIO and OIT staff. The former DOES Director

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## FINDINGS AND RECOMMENDATIONS

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stated that the OIT staff informed her that the Virtual One Stop (VOS)<sup>28</sup> system was missing certain “bells and whistles” that the OIT staff could add to a new proposed registration and timekeeping system. OIT staff stated that the VOS system lost some reporting functionality as a result of a system upgrade that was performed by the vendor who maintains VOS. The OIT staff provided the former DOES Director with a demonstration of the DSAP prototype. The former DOES Director stated that, even though she could have operated the 2008 SYP without DSAP, she authorized the former CIO to begin the DSAP development and implementation project because she trusted and believed that the former CIO had the knowledge and expertise to complete the project within the 2 week timeframe. Subsequently, the former DOES Director stated that she informed the Mayor in a CapStat meeting that a new registration and online timekeeping system would be employed for the 2008 SYP.

Control Objectives for Information and Related Technology (COBIT),<sup>29</sup> Section AI1 *Identify Automated Solutions* provides the following summary concerning the identification of business needs, viable alternatives, and cost prior to deciding on an IT solution:

The need for a new application or function requires analysis before acquisition or creation to ensure that business requirements are satisfied in an effective and efficient approach. This process covers the definition of the needs, consideration of alternative sources, review of technological and economic feasibility, execution of a risk analysis and cost-benefit analysis, and conclusion of a final decision to ‘make’ or ‘buy’. All these steps enable organizations to minimize the cost to acquire and implement solutions whilst ensuring they enable the business to achieve its objectives.

Further, OCTO’s Scope Management and Program Initiation and the Program Management Standards describe the structured methodology and processes that agency management must formally consider prior to obtaining approval of an IT acquisition or development. For example, OCTO policy requires agency management to, at a minimum; formally develop the following documents prior to obtaining approval: (1) concept of operations; (2) project charter and organization; (3) project planning; (4) business case; and (5) project plan.

At a minimum, OCTO policies provide that DOES management should have taken the following actions prior to developing DSAP: (1) prepared a definition of the business

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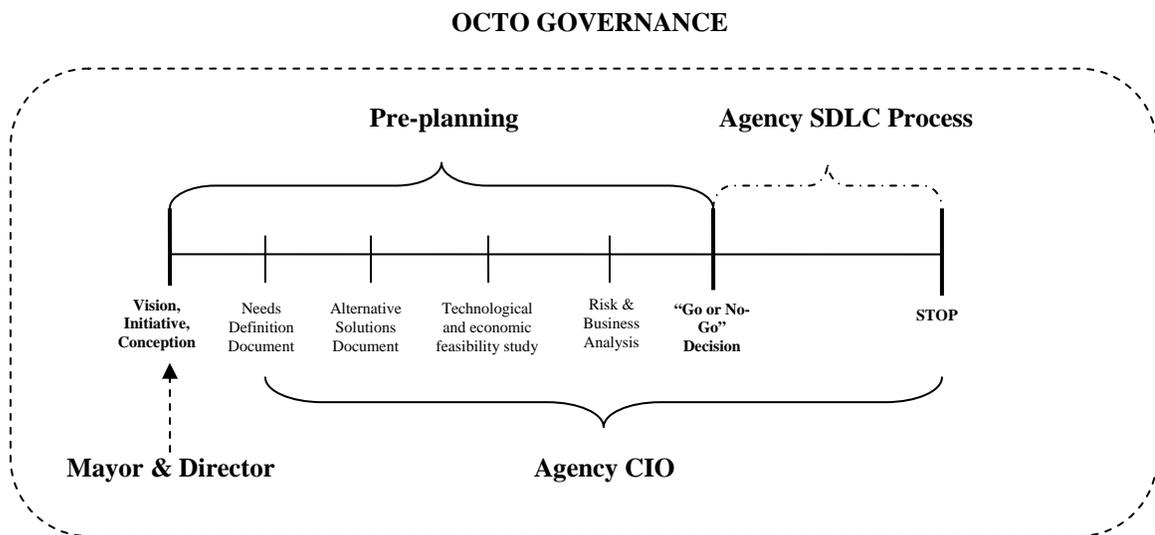
<sup>28</sup> VOS is the system that was being used to support OYP’s five programs (including the SYP). This system is still in use to support all of OYP’s programs except for the SYP.

<sup>29</sup> COBIT is a set of internationally recognized existing IT standards, best practices, and control objectives that covers a full range of IT activities.

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needs; (2) considered alternative solutions; (3) performed a technological and economic feasibility review; (4) conducted a risk analysis and cost-benefit analysis; (5) documented the “make” or “buy” decision; and (6) sought OCTO’s expertise and approval prior to commencing the DSAP development. Figure 4 below depicts OCTO’s planning process for new requirements.

**Figure 4. Planning for New IT Solutions (SDLC Process)<sup>30</sup>**



**Lack of Adequate Planning.** The formal process described in Figure 4 above provides management with a structured and rational basis for identifying an IT solution, selecting an IT solution, and the subsequent decision to proceed or halt the acquisition or development of an IT solution. DOES did not have time to conduct a formal IT solution identification exercise and implement the chosen solution within the 2 weeks before the start of the 2008 SYP. Once the former DOES Director made the decision to implement DSAP, OIT was hurried to meet the expectations of District executives, the former DOES Director, and DOES program staff. Consequently, the former DOES Director and the former CIO circumvented the pre-planning controls/requirements and proceeded directly to the system development phase.

Although there was a widely held belief that significant efficiencies could have been achieved through the implementation of DSAP, DSAP did not meet program

<sup>30</sup> Systems Development Life Cycle is a structured and methodical process employed to either develop an information system or to modify/enhance an existing information system. The major benefits derived from using an SDLC process are: a system that meets end user expectations, a project completed within time and budget constraints, and life cycle efficiencies.

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## FINDINGS AND RECOMMENDATIONS

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requirements. The CapStat Director discussed this failure in the August 12, 2008, CapStat Report, which provides the following: “What began as a sound policy decision fell victim to poorly managed execution.”<sup>31</sup> Further, the CapStat Director informed us that he did not believe that it was a sound decision to implement a major system 2 weeks before the start of the program.

During the September 18, 2008, Council hearing on the SYP, the City Administrator stated that “the primary responsibility for delivery of any program exists with the agency. That is why we have them, and that is why we have directors.” Ultimately, it was incumbent upon the former DOES Director to understand and manage: (1) the executive’s expectations for the 2008 SYP; (2) DOES’ operations and programs; and (3) the risks, complexities, and magnitude of implementing DSAP. The former DOES Director did not fully understand the magnitude and complexities of the tasks associated with implementing an IT solution and relied on best case scenarios in trusting that the former CIO could implement DSAP within the 2 week period prior to the start of the 2008 SYP. The former DOES Director’s and former CIO’s miscalculation of the complexities and risks associated with implementing a new system contributed to the decision to prematurely implement DSAP. Consequently, DOES pursued a course of action that contributed to significant waste of capital, human resources, and productivity.

**OCTO Consultation.** The former Chief Technology Officer (CTO) for OCTO stated that OCTO has the responsibility for establishing governance over all the District’s IT and IT related resources, to include independent agencies. Pursuant to OCTO Policy OCTO 0004, Evaluation Criteria for Acquiring Computer Systems, OCTO reviews and approves all IT procurements. The former DOES Director stated that she did not know that DOES was required to consult with OCTO prior to acquiring or implementing an IT solution.<sup>32</sup> Also, the former DOES Director stated that she would have presumed that the former CIO would have known of the requirements because he was a former OCTO employee. The former CTO stated that DOES did not inform OCTO that DOES was developing a registration and timekeeping system for the 2008 SYP.

OCTO executive management stated that there were many alternative and proven systems available, which DOES could have utilized to accomplish registration and online timekeeping. For example, DOES could have used numerous commercial off-the-shelf packages, such as PeopleSoft (the District’s personnel and payroll system), or relied on third party payroll processing companies to provide a myriad of timekeeping solutions. The former CTO stated that the chance that DSAP could have been successfully implemented was minimal, given the time constraints. In addition, OCTO executive management stated that DOES should not have attempted to develop a timekeeping system, and that had DOES consulted with them, they would have informed DOES

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<sup>31</sup> *Id.* at 14.

<sup>32</sup> The former DOES Director started with DOES in April 2007.

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## FINDINGS AND RECOMMENDATIONS

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management of this fact. However, OCTO was not given the opportunity to provide its expertise, propose viable alternatives, and avert any foreseeable DSAP implementation obstacles.

The former CTO stated that agencies intentionally try to avert coming through OCTO for consultation on development and implementation projects because they do not want to lose IT autonomy and fear that OCTO may try to assert control over the IT environment once they are allowed in the agency. Our review of an email from the former CIO of DOES confirmed that the former CIO was concerned about requesting OCTO's assistance.

We opine that agency IT managers avoid OCTO because they want to maintain agency and operational independence, autonomy and authority when undertaking IT projects; additionally, agency IT managers are reluctant to devote the resources required under a structured methodology when no assurances can be provided before hand as to whether the project will be approved. We maintain that it is imperative that "all" District agencies, to include independent agencies, utilize structured practices and consult with OCTO prior to undertaking IT projects that have significant monetary or operational impact to the District.

**Allocated IT Resources.** DOES could have better utilized the resources assigned to implement and support DSAP for the 2008 SYP. DOES allocated resources for the implementation of a system that did not fully support the 2008 SYP and would not be used as originally intended in subsequent years.<sup>33</sup>

DOES management did not develop a project plan that assigned and allocated resources and tracked project cost. We evaluated project resourcing to ascertain: who was assigned to the DSAP development team; the number of hours each team member devoted to planning, developing, and implementing DSAP; the number of hours spent by team member supporting DSAP; and the salaries for the team members. Based on the information provided by DOES, we determined that DOES spent approximately \$60,000 in staff costs to implement and support DSAP for the 2008 SYP. Table 6 on the following page shows the hours devoted by each team and the associated cost.

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<sup>33</sup> DSAP was intended to be an all inclusive, online system that would allow DOES to register SYP participants, refer SYP participants to enrichment and job sites, and provide an online timekeeping function for DOES and host agencies. However, for the 2009 SYP, DOES will only use DSAP to register and refer participants. To provide timekeeping services, DOES plans to contract with a third-party.

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**FINDINGS AND RECOMMENDATIONS**

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**Table 6. DSAP Implementation and Maintenance Cost**

<b>Project Member</b>	<b>Planning, Developing, &amp; Implementing Training Hours</b>	<b>Maintenance Hours</b>	<b>Approximate Planning, Developing, &amp; Implementing Training Cost</b>	<b>Approximate Maintenance Cost</b>
CIO/OIT Director	118	60	\$ 6,977.88	\$ 3,548.08
Supervisory IT Specialist	240	80	12,923.08	4,307.69
Supervisory IT Specialist	130	80	6,625.00	4,076.92
Sr. Mainframe/ Application Developer	20	360	1,000.00	18,000.00
			<b>\$27,525.96</b>	<b>\$29,932.69</b>
			<b>Total Cost</b>	<b>\$57,458.65</b>

The DSAP implementation and maintenance costs shown in Table 6 do not include the cost of any hardware or software that may have been purchased to support the implementation and maintenance of DSAP.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION II. INFORMATION TECHNOLOGY

<b>FINDING 5. USING A STRUCTURED SYSTEMS DEVELOPMENT LIFE-CYCLE PROTOCOL</b>
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#### SYNOPSIS

After failing to formally undergo a structured IT solution acquisition methodology, DOES further inhibited the successful implementation and development of DSAP by not following a structured systems development life cycle (SDLC) protocol/methodology. As a result, there were numerous, significant general and application control deficiencies that resulted in 2008 SYP failures, uncontrolled cost increases, and increased risk of fraud, waste, and abuse.

#### DISCUSSION

DOES management was unable to provide documentation to demonstrate that it utilized a structured SDLC process or consulted with OCTO to develop and implement DSAP. DOES' actions were inconsistent with COBIT Guidelines and District IT standards.

COBIT, Section AI2, *Acquire and Maintain Application Software* provides:

Applications have to be made available in line with business requirements. This process covers the design of the applications, the proper inclusion of application controls and security requirements, and the actual development and configuration according to standards. This allows organizations to properly support business operations with the correct automated applications.

We analyzed the impact of DOES not utilizing a formal SDLC process to implement DSAP. Our analysis is presented in Table 7, which identifies each SDLC process, control deficiency, and corresponding impact. Most of the SDLC process controls we analyzed align with the processes provided by the OCTO Program Engineering and System Development Lifecycle Management Standards.

## FINDINGS AND RECOMMENDATIONS

**Table 7. SDLC Control Deficiencies and Impact**

SDLC PROCESS CONTROL/CONDITION	IMPACT/CONSEQUENCE
<b>Project Initiation</b> - There was no formalized and detailed preplanning for DSAP implementation.	Refer to Finding 4, <i>DOES Standard Application Platform Planning</i> .
<b>Project Management</b> - A formalized project plan was not developed. DOES started a project without defining the following: the scope of the project; tasks to be completed; resource assignments and allocations; and resource/time constraints.	The DOES CIO had to manage the DSAP development and implementation project and resources ad hoc, without a managed approach. Ultimately, DSAP did not fully meet program or user objectives and needs.
<b>System Design &amp; Requirements Documentation</b> - There was no detailed systems design and no requirements documentation was developed.	The OIT did not understand the full scope of the 2008 SYP requirements and did not fully design/develop those requirements within DSAP. OIT had to constantly consult with DSAP users to make modifications to DSAP after it was operational. Further, users expressed frustration because DSAP was not meeting program or user needs. Numerous operational inefficiencies occurred. Many application controls that would prevent the entry of bad data were not included in the design/development of DSAP. (Refer to Finding 6, <i>Application Control Deficiencies</i> )
<b>Training</b> - DOES did not prepare a formal training plan. OIT provided webinars and group training on DSAP; however, the training provided to DOES staff, hosts, and other government employees was performed ad hoc and random.	On occasion, SYP staff did not use DSAP because of lack of confidence in the system. Poor planning, time constraints, logistics, and poor contingency management prevented training from being provided to all DSAP users and stakeholders.
<b>Conversion/Migration</b> - DOES did not prepare a conversion plan. The data converted from the VOS system were not properly converted or adequately scrubbed prior to migration to DSAP.	The data had to be scrubbed throughout the 2008 SYP. Because timekeeping and payroll data proved unreliable, the Mayor had to issue a directive to pay all 2008 SYP participants regardless of participation level or merit.
<b>Physical/Logical Security</b> - DOES did not develop a logical security plan or security administration protocols. Security administration considerations were informal.	Security considerations were disregarded when DOES experienced crisis. DOES and other agency users were granted varying levels of access without appropriate controls or documentation. An increased opportunity for fraud materialized.
<b>Contingency Planning/Business Process Reengineering</b> - DOES did not develop contingency or business resumption plans. No exit strategy or alternative procedures were available when DSAP could not be relied upon or used effectively. DOES employees had not been adequately prepared to operate in the event of a DSAP system or utility failure.	SYP staff resorted to manual processes without a formal strategy to coordinate, track, and execute manual procedures. For example, referral and registration data associated with the manual processes were either lost or were not later entered into DSAP. The DOES was compelled to proceed with DSAP implementation.
<b>Testing/Evaluation</b> - No system testing or evaluation plan was developed. DSAP was not tested prior to implementation. OCTO performed a limited systems test after the system was being utilized.	DSAP's failures and inadequacies did not become apparent until the system was in production. Consequently, changes had to be made to DSAP after the system was in operation.
<b>Change Control</b> - No defined change control protocols were developed or utilized.	System changes to DSAP were made "on the fly" with no developed protocols or record of changes. Changes could not be tracked from inception to closure. This resulted in an increased opportunity for fraud.
<b>System Acceptance</b> - No final system acceptance plan was developed. DSAP was implemented and operational without final approval of appropriate stakeholders.	Numerous disruptions to the 2008 SYP occurred. Problems and system inadequacies went undetected until the system went operational. OIT staff had to incorporate and modify DSAP to meet user and program requirements after DSAP was operational. Consequently, DSAP did not fully meet program objectives or stakeholder and user requirements.
<b>Installation/Operations Guides</b> - No installation or user guides were prepared.	No documentation was available to assist DSAP users when they incurred problems with the system.

## **FINDINGS AND RECOMMENDATIONS**

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We believe that DOES could not have reasonably conducted a structured IT solution identification exercise, executed a SDLC methodology, and successfully implemented DSAP within the 2 weeks prior to the start of the 2008 SYP. These facts should have dissuaded DOES management from attempting to implement DSAP for the 2008 SYP. DSAP would have stood a better chance of meeting program requirements had DOES management utilized a structured SDLC methodology that demonstrated DOES management's consideration of the SDLC controls listed in Table 7.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION II. INFORMATION TECHNOLOGY

<b>FINDING 6. APPLICATION CONTROL DEFICIENCIES</b>
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#### SYNOPSIS

We observed several application control deficiencies that would not prevent or detect erroneous registration data entered into DSAP.<sup>34</sup> Additionally, OIT deactivated an application control feature designed to prevent users from referring excess participants to host agencies. These conditions existed because DOES management hastily decided to implement DSAP, and OIT did not fully understand the 2008 SYP requirements. As a result, DSAP data could not be fully relied upon to manage and support the 2008 SYP and report on the program performance and activities. Further, referring excess participants to host agencies resulted in violations of their agreements and contracts. Ultimately, DSAP data unreliability forced District management to issue the “pay all” directive so participants could be timely compensated.

#### DISCUSSION

We reviewed DSAP to determine whether the system contained application controls to prevent the entry of erroneous data. Our review found application and general control deficiencies that allowed erroneous data to exist in DSAP. For example, DSAP did not have application controls to prevent or detect: (1) ineligible or erroneous age entries; (2) erroneous registration date entries; (3) invalid SSN entries; and (4) erroneous residency data entries. Further, DOES did not capture some other useful data in DSAP when youth registered for the SYP, and DOES deactivated controls to prevent users from referring too many participants to host agencies.

**Age Requirements.** Based on our review of a registration file, we determined that 95 registrants were either too old or too young to participate in the 2008 SYP.<sup>35</sup> To participate in the 2008 SYP, participants must have been born between June 17, 1986, and June 16, 1994. However, DSAP allowed users to enter registrants who were not born between the valid dates. For example, the registration file showed one registrant’s DOB as October 30, 2008, which is 4 months after the start of the program. According to the registration file, the ages for the overage registrants ranged from 22 to 108.<sup>36</sup> Adequate application controls

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<sup>34</sup> The unreliability of DSAP’s data is discussed in detail in *Finding 4, DOES Standard Application Platform Planning*.

<sup>35</sup> DOES provided us with four different registration files.

<sup>36</sup> The registration file showed two of the overage registrants were born on January 1, 1900. We located the application for one of the two registrants and determined this registrant’s actual DOB. We were unable to locate the application for the other registrant.

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would have either prevented users from entering inappropriate DOB entries or detected the DOB errors and required DOES staff to enter the appropriate dates or reject the registrants.

**Registration Date Entries.** Registration for college students began in December 2007 and registration for all other individuals began on February 2, 2008. However, the DSAP registration files showed a significant number of participants registered on January 1, 1900. Table 8 below shows the number of registrants with a January 1, 1900, registration date.

**Table 8. Number of Registrants with Invalid Registration Dates**

Registration File	Records with 01/01/1900 <sup>37</sup>
First Registration File	2,693
Second Registration File	2,694
Third Registration File	2,599
Fourth Registration File	2,589

OIT staff indicated that the records with the January 1, 1900, registration date may represent: (1) records where the user did not enter the corresponding registration dates; (2) records where the user erroneously entered the corresponding registration dates; or (3) data errors that occurred when data were migrated from VOS to DSAP. However, OIT staff could not provide a definitive explanation for the invalid registration dates. Adequate application controls would have prevented or detected erroneous or invalid registration date entries and allowed appropriate SYP officials the opportunity to correct the errors before the data were used by DOES. Inadequate general controls when converting data from VOS to DSAP may have also been a contributing factor for the inaccurate data in the system.

**Social Security Numbers.** According to the Social Security Administration’s website, the first three digits of a person's social security number are determined by the zip code of the mailing address shown on the application for a social security number, and any number beginning with 000 will never be a valid SSN.<sup>38</sup> However, three of the four registration files showed 10 registrants had a SSN beginning with 000.<sup>39</sup> Because it is impossible for anyone to have a SSN beginning with 000, DSAP should have included a control to prevent employees from making such an entry. The best SSN validation control would be a complete verification of SSNs; however, in the absence of SSN validation, an adequate application control would prevent or detect known SSN anomalies, such as SSN sequence and range errors.

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<sup>37</sup> The number of registrants with a January 1, 1900, registration date changed from file to file because DOES was continuously scrubbing the registration file (i.e., eliminating inaccurate data).

<sup>38</sup> <http://www.ssa.gov/employer/stateweb.htm> (last visited Jan. 26, 2008).

<sup>39</sup> The first registration file provided did not include the SSNs.

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## FINDINGS AND RECOMMENDATIONS

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**Residency Requirement.** District wards are the only non-D.C. residents allowed to participate in the SYP. However, SYP registrants with addresses outside the District could be entered in DSAP without being designated as District wards. Further, DSAP had a feature to verify whether a District address entry was a valid District address; however, this feature would still allow users to enter addresses that were not within the address verification database.

Adequate application controls would have either detected or prevented entry of a city or state outside of the District metropolitan area unless the registrant was designated as a District ward. An OIT staff member stated that DSAP did not originally contain a field to capture District ward data and the corresponding address logic. The staff member also stated that OIT staff members did not understand all of the program requirements when they developed DSAP and that OIT later added the District ward designation field to DSAP at the request of DSAP users. This condition could have been detected had OIT staff formally discussed the system requirements with DSAP users and allowed DOES managers and users to test the application prior to its implementation.

**DSAP Registration Data.** When the OIT provided a DSAP demonstration, we observed employees did not have to enter information in all fields shown on the DSAP registration screen in order for the system to process registrants.<sup>40</sup> There were over 25 fields on the DSAP registration screen; however, only the following fields were designated as required: (1) first name; (2) last name; (3) SSN; (4) DOB; (5) address; (6) gender; (7) system ID; and (8) emergency contact information. In addition to these fields, DSAP contained other fields, such as family income, race, and interests, which are relevant and pertinent to managing and reporting on the SYP. We did not review the VOS system; however, OYP program staff stated that all fields on the VOS registration screen were designated as required fields.

The purpose of designing an application or an IT solution is to support the business mission, objectives, and operations. As such, the DSAP should have been designed to require users to accurately and completely enter pertinent program data necessary to manage and operate the program and report on program performance and activities. OIT staff informed us that DOES initiated the development of DSAP because VOS lost the capability to develop certain reports, which DOES management needed to manage and operate the program, as well as to report the results of SYP operations. Not requiring the entry of relevant and pertinent registrant and program data defeated DOES management's intent and purpose for DSAP.

**Referring Participants to Host Agencies.** After SYP applicants registered for the program, they were referred to host agency worksites where they received enrichment training or performed work. The host agency agreements indicated the number of participants that the host agencies agreed to hire and the enrichment training contracts indicated the maximum

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<sup>40</sup> A field is defined as a space allocated for a particular item of information. For example, DSAP contained a field for the registrant's name, address, and so forth.

## FINDINGS AND RECOMMENDATIONS

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and minimum number of participants for whom the contractors agreed to provide training. During our DSAP demonstration, we observed that some host agencies were referred participants that exceeded their agreed-upon number or contractual maximum.

We were informed that DSAP had an application control to prevent users from referring participants to host agencies beyond their agreed-upon numbers or contractual maximum. This control was primarily designed to ensure compliance with established contract and agreement terms and protect the District from violating the procurement regulations in Title 27 of the District of Columbia Municipal Regulations (DCMR). However, we were informed that the former OYP Director instructed OIT to deactivate this control feature during the first week of the SYP. The application control was deactivated without DOES management assessing the impact on other programmatic components. Changes to DSAP should not have been made without the appropriate level of approval and without DOES conducting an assessment of the changes on other programmatic components.

DSAP should have also had a reporting feature to allow DOES management to determine when host agencies were not referred the minimum number of participants indicated in their contracts. This reporting feature would help the District avoid paying contractors for youth that they did not train.

**Conclusion.** The application control deficiencies we observed are a direct result of DOES' hasty decision and rush to develop an IT solution. Specifically, DOES did not have time to formally plan and develop DSAP. OIT staff did not fully understand the SYP program and user requirements and it hurriedly developed DSAP while ignoring system development best practices, such as requirement development and system and user acceptance testing. Consequently, DSAP did not fully support the SYP or users and subsequently failed in its execution. This failure contributed to bad data and, ultimately, the Mayor's decision to issue the "pay all" directive so participants could be timely paid.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION II. INFORMATION TECHNOLOGY

<b>RECOMMENDATIONS</b>
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We recommend that the Director for the Department of Employment Services:

5. Develop a comprehensive management information system capable of supporting the entire SYP.
6. Develop and test adequate application controls that would prevent OYP staff from entering erroneous data or data for ineligible participants (i.e. age, social security numbers, and residency).
7. Follow OCTO's structured IT acquisition methodology prior to making a decision to acquire or develop an IT solution.
8. Follow OCTO's structured SDLC process when developing and implementing automated solutions.

#### **Management Action**

DOES responded to our draft report on June 16, 2009, taking proactive and positive actions on many of the reported deficiencies and recommended corrective actions. DOES indicated it will provide detailed actions on each of the report recommendations in its response to the final report. The full text of DOES' response to our draft report is at Exhibit C.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION III. CONTRACTING FOR THE SUMMER YOUTH PROGRAM

<b>FINDING 7. CONTRACTING FOR ENRICHMENT TRAINING AND OTHER SERVICES</b>
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#### SYNOPSIS

For the 2008 SYP, OCP awarded contracts to 36 organizations for them to provide enrichment training to SYP participants. We determined that OCP did not timely award the enrichment training contracts because DOES and OCP did not adequately plan for delays when they established the procurement lead time. As a result, DOES could not refer participants to worksites early, SYP participants were unaware of their assignments when the program began, and contractors had to rush to perform tasks for their training programs.

Additionally, OCP awarded enrichment training contracts to offerors that submitted late proposals, in violation of Title 27 DCMR, and OCP awarded contracts to essentially all of the offerors regardless of their evaluation scores. These conditions occurred because OCP was compelled to award contracts to as many contractors as possible in order to accommodate the large number of 2008 SYP participants. Consequently, OCP afforded contractors preferential treatment and violated procurement regulations aimed at ensuring that all competitors are treated fairly and equally.

Further, we determined that OCP awarded a contract to a vendor to recruit businesses to participate in the 2008 SYP and secure jobs for SYP participants although DOES staff essentially performed the same tasks and responsibilities as this vendor. The \$200,000 spent for this contract could have been put to better use.

#### DISCUSSION

##### **Contracting for Enrichment Training**

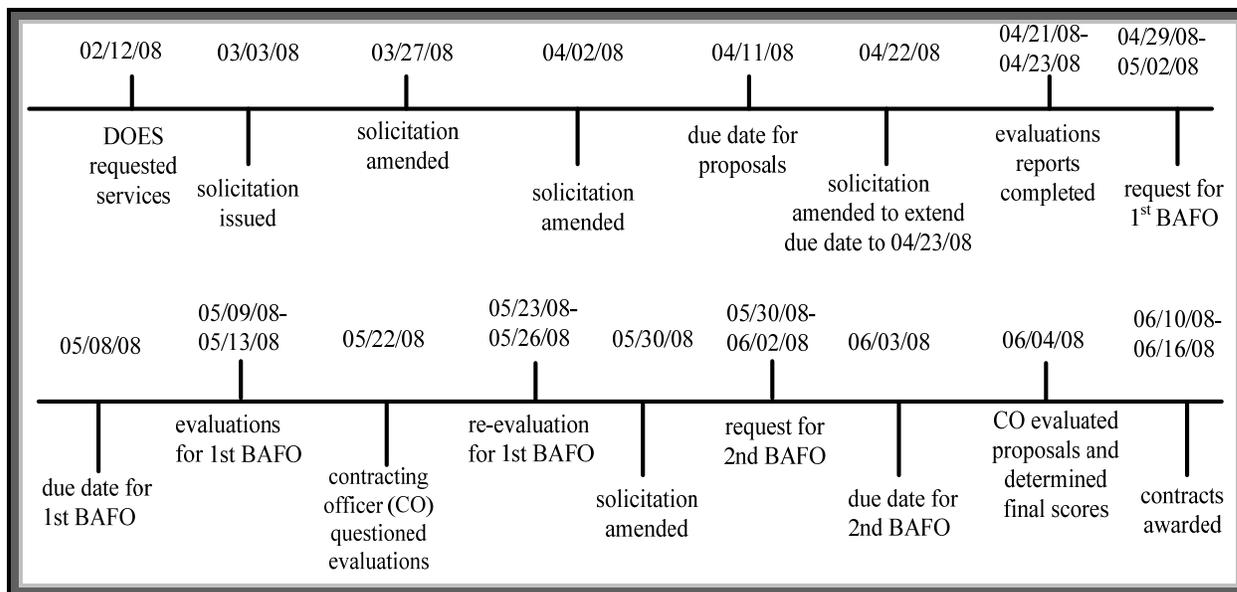
OCP awarded contracts to 36 organizations to design and implement a project-based program for providing academic enrichment, career exploration, work readiness, and leadership skills training for the 2008 SYP. We determined that: (1) OCP did not timely award the 36 contracts; (2) OCP violated District procurement regulations when it awarded contracts to the organizations that submitted late proposals and Best and Final Offers (BAFOs); and (3) all of the organizations, except one, that responded to the solicitation for enrichment training received contracts regardless of their evaluation scores.

**Timeliness of Contract Awards.** OCP awarded the 36 contracts for enrichment training between June 10, 2008, and June 16, 2008, which was the start date for the 2008 SYP. The

## FINDINGS AND RECOMMENDATIONS

contracts were not timely awarded because OCP and DOES did not adequately plan for delays when they established the procurement lead time. Figure 5 below shows the timeline for the procurement cycle.

**Figure 5. Timeline for Procuring Enrichment Training**



As shown in Figure 5, almost 2 months elapsed between the April 11, 2008, due date for the proposals and the date that OCP determined the final evaluation scores (June 4, 2008). OCP had originally planned to award the contracts by May 16, 2008. However, the evaluation process took longer than expected because the offerors' proposals had to be re-evaluated several times. According to the contracting officer, she determined there were inconsistencies in the evaluation process when she reviewed the evaluation scores submitted by the four different evaluation teams, and she noted there were significant changes between the original evaluation scores and the evaluation scores that were tabulated after the first BAFO. As a result, she required the evaluation teams to re-evaluate the first BAFOs. However, after the evaluation teams re-evaluated the first BAFOs, the contracting officer still was not confident that the proposals were properly evaluated. Consequently, she required the contractors to respond to a second request for BAFOs, and she and another contracting officer evaluated the proposals and determined the final evaluation scores.

Because the contracts were not timely awarded, DOES did not have sufficient time to assign SYP participants to enrichment programs or timely notify SYP participants of their worksite assignments prior to the start of the program. Consequently, many 2008 SYP participants were unaware of their worksite assignments when the SYP started on June 16-17, 2008. Further, the contractors experienced problems because their contracts were not timely

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## FINDINGS AND RECOMMENDATIONS

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awarded. When we interviewed 6 of the 36 contractors, we learned the following: (1) no SYP participants showed up at one contractor's worksite on June 16, 2008, and June 17, 2008; (2) the contractors had to rush to perform tasks for their training programs; and (3) one contractor did not receive supplies for its training program until after the SYP started. Some of the contractors who participated in the SYP in previous years told us that 2008 was not the first year that their contracts were awarded late.

**Acceptance of Late Proposals.** In violation of 27 DCMR § 1609.3, OCP evaluated late proposals and subsequently awarded contracts to offerors that submitted late proposals. Title 27 DCMR § 1609.3 provides the following instructions for accepting late proposals:

Proposals and modifications to proposals that are received in the designated District office after the exact time specified in the RFP [Request for Proposals] or under § 1609.2 are "late" and shall be considered only if they are received before the award is made and one (1) or more of the following circumstances apply:

- (a) The proposal or modification was sent by registered or certified mail not later than the fifth (5th) calendar day before the date specified for receipt of offers;
- (b) The proposal or modification was sent by mail and it is determined by the contracting officer that the late receipt at the location specified in the RFP was caused by mishandling by the District after receipt; or
- (c) The proposal is the only proposal received.

When OCP issued amendment 0001 for the enrichment training solicitation, OCP established April 11, 2008, 2:00 pm as the due date and time for offerors to submit their proposals. According to OCP's bid receipt log, 34 offerors submitted proposals in response to the solicitation, and 7 of these 34 offerors did not submit their proposals until after the established due date and time. The late proposals did not meet the criteria outlined in 27 DCMR § 1609.3. However, OCP evaluated the late proposals and subsequently awarded contracts to the offerors with late submissions. There were also three additional organizations that received contracts although they were not listed on the bid receipt log. In order for OCP to consider the late proposals, on April 22, 2008, the contracting officer issued an amendment to the solicitation extending the closing date from April 11, 2008, to April 23, 2008.<sup>41</sup> Additionally, we determined that successful offerors did not timely respond to OCP's request for BAFOs. OCP awarded contracts to essentially all of the offerors who responded to the solicitation regardless of when they submitted their proposals and BAFOs.<sup>42</sup>

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<sup>41</sup> Amendment 0003 extended the due date from April 11, 2008, to April 23, 2008.

<sup>42</sup> Of the 37 offerors, only 1 did not receive a contract. This offeror decided not to participate in the SYP. If this offeror had not made this decision, OCP would have also awarded a contract to this offeror.

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## FINDINGS AND RECOMMENDATIONS

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As a result, OCP afforded contractors preferential treatment and violated procurement regulations aimed at ensuring that all competitors are treated fairly and equally. OCP circumvented the procurement regulations and awarded contracts to essentially all of the offerors because DOES needed worksites to accommodate a large number of SYP participants. When OCP issued the solicitation for enrichment training on March 3, 2008, DOES planned for 15,000 youth to participate in the 2008 SYP and anticipated 6,500 youth would be assigned to the contractors providing enrichment training. However, by June 5, 2008, DOES estimated there would be 20,000 SYP participants because of the initiative to “turn no youth away.” Consequently, DOES needed OCP to award as many contracts as possible to ensure there were enough worksites for the registrants that needed enrichment training.

**Selection Process for Contract Awards.** Essentially all of the offerors that responded to the solicitation received contracts regardless of their evaluation scores. Section M.1.4.1 of the solicitation provides, “Award will be made to the highest evaluated offerors up to their stated maximum quantity [maximum number of participants] and then in the same manner, successively to other offerors until the District[’s] stated requirement is fulfilled.” Accordingly, after OCP determined the final evaluation scores for the offerors on June 4, 2008, OCP arranged the offerors by their final evaluation scores (highest to lowest). The District initially planned to award contracts to just the top 21 offerors because the estimated amount of their contracts fell within the budgeted amount as of June 4, 2008 (\$6 million). However, the 21 offerors could only accommodate a maximum of 4,766 participants, which would have left the District without worksites for some SYP participants. Consequently, on June 5, 2008, DOES reported to the EOM that DOES needed an additional \$4.8 million so contracts could be awarded to the remaining offerors and there would be enough slots to accommodate all participants. Once EOM granted approval, OCP, in consultation with DOES, decided to award contracts to the other offerors irrespective of their evaluation scores.

The contract selection process did not ensure that the District only awarded contracts to the organizations that proposed to operate quality training programs. Based on the final evaluation scores, we believe the District awarded contracts to organizations that did not demonstrate their training programs would be beneficial to SYP participants. The total maximum score that the offerors could receive on their proposals was 112 points.<sup>43</sup> However, offerors had scores that were significantly below 112 points, rendering the evaluation scores essentially meaningless.<sup>44</sup>

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<sup>43</sup> The highest possible score an offeror could receive was 100 points for their technical and price proposals plus 12 preference points.

<sup>44</sup> The final evaluation scores for the 37 offerors ranged from 48.82 points to 69.90 points.

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## FINDINGS AND RECOMMENDATIONS

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### Contract for Recruiting Businesses and Securing Jobs

The PSIP Unit within the OYP is responsible for recruiting businesses to participate in the SYP and negotiating with the businesses to provide job opportunities for D.C. youth. However, on behalf of DOES, OCP awarded a \$200,000 contract to DCCC to perform essentially the same tasks and responsibilities of the PSIP Unit. The contract required DCCC to perform nine specific tasks associated with recruiting local private and not-for-profit organizations to participate in the 2008 SYP and securing 300 jobs (150 unsubsidized jobs and 150 subsidized jobs) for SYP participants referred by DOES.

**Recruiting Businesses to Participate in SYP.** Allowing DCCC to recruit businesses to provide subsidized jobs resulted in the District losing funds to pay SYP participants. According to the supervisor of the PSIP Unit, his unit had already convinced some businesses to pay for their participants' salaries; however, when some of these businesses later learned that they could participate under the auspices of DCCC without paying for their participants' salaries, they decided not to enter into business partnership agreements with DOES. If DOES needed an organization to assist the agency with identifying private sector and local businesses to participate in the SYP, the organization should have been required to identify only unsubsidized job opportunities.

Additionally, DCCC recruited District government agencies to participate in the SYP, although the contract required DCCC to recruit local private and not-for-profit organizations. According to DCCC's final report for the 2008 SYP, DCCC recruited 4 District government agencies and 1 independent District government agency to provide jobs to 12 youth. There was no benefit for these District agencies to participate through the DCCC as opposed to them entering into host agency agreements directly with DOES.

**Securing Jobs for SYP Participants.** DCCC did not provide jobs for 300 youth, as required. According to the PSIP Unit's final report on the 2008 SYP, DCCC only provided jobs for 193 youth. In addition, DCCC provided partially subsidized jobs, although the contract required the organization to provide a specific number of subsidized jobs and unsubsidized jobs. Table 9 below summarizes the jobs provided by DCCC.

**Table 9. Jobs Provided by DCCC**

Category	Required Jobs	Actual Jobs	Difference
Subsidized Jobs	150	90	60
Unsubsidized Jobs	150	45	105
Partially Subsidized Jobs	-	58	(58)
<b>Total</b>	<b>300</b>	<b>193</b>	<b>107</b>

## **FINDINGS AND RECOMMENDATIONS**

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We did not determine whether the reason for the number of unfilled jobs was because DOES did not refer enough participants to DCCC or because DCCC did not identify businesses to fill 300 slots. Although DCCC did not provide jobs for 300 youth, DOES paid DCCC the full contract amount. The contract did not specify the amount of funds that would be withheld if DCCC did not provide 300 jobs. However, because DOES staff also performed the same tasks as DCCC, we concluded that the \$200,000 spent for this contract could have been put to better use.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION III. CONTRACTING FOR THE SUMMER YOUTH PROGRAM

<b>FINDING 8. PAYMENT TERMS AND CONDITIONS FOR ENRICHMENT TRAINING CONTRACTS</b>
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#### SYNOPSIS

DOES and OCP included poorly written payment terms and conditions in the enrichment training contracts, which did not offer adequate protection to the District. OCP and DOES officials were aware that the payment terms and conditions were not beneficial to the District, but it is unclear why both of these agencies included the unfavorable terms and conditions in the contracts. As a result, DOES was obligated to pay contractors for services that they did not perform. For example, two contractors were paid approximately \$324,000 for services that they did not perform because the contracts required DOES to pay the contractors for a minimum number of participants.

#### DISCUSSION

OCP awarded indefinite delivery indefinite quantity (IDIQ) contracts to the 36 organizations that were to provide enrichment training to SYP participants. In total, the District paid approximately \$10 million for these 36 contracts. We found that the contracts included poorly written payment terms and conditions that did not offer adequate protection to the District. Under the IDIQ contracts, the District paid the contractors a fixed unit cost per referred participant and the District guaranteed contractors payment for a minimum number of participants. These two provisions resulted in contractors receiving payment for services that they did not render. Further, OCP indicated that some contractors may have exceeded the stated maximum quantities in their contracts.

**Payment Based on Referred Participants.** The District did not require the contractors to bill for the actual number of participants who attended their training programs. Instead, the District required the contractors to calculate their payments based on the following formula: unit price multiplied by the number of referred students divided by number of payments.

Because the payment terms and conditions were poorly designed, the contractors received payment for participants who dropped out of their training programs. For example, if DOES referred a participant to a contractor in June and the participant dropped out of the contractor's training program in July, the contractor would continue to receive payment for the participant for the remainder of the SYP. Historically, DOES has a high attrition rate and, given this fact, it was not prudent for OCP and DOES to include payment terms and conditions that did not consider the attrition rate or were not otherwise computed based on the actual services provided by the contractors.

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## FINDINGS AND RECOMMENDATIONS

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OCP and DOES also realized that allowing contractors to receive payment based on the number of referred participants was not beneficial for the District. On June 23, 2008, the contracting officer informed DOES that if the contractors' payments are calculated based on the number of referred participants, then the contractors will not be penalized if youth leave their programs. During the last week of June 2008, OCP modified some of the enrichment training contracts to include provisions for reconciling the number of referred participants with the actual number of participants. Section G.4.4 of the modification provides:

The District will verify the number of participants in the contractor's program by comparing the number of students referred to the contractor by DOES and the number of participants as shown in the bi-weekly Time and Attendance Reports submitted by the Contractor. If there is an inconsistency between the number of participants referred and the Time and Attendance Reports, the COTR [Contracting Officer's Technical Representative] will work with the Contractor to reconcile the number of participants.

This contract modification did not require the contractors to repay funds to DOES if there were differences between the number of referred participants and the actual number of participants. Consequently, adding the verification provision to the contract was essentially useless because it did not result in a payment adjustment for the District.

**Payment Guaranteed for Minimum Number of Participants.** According to the contract terms and conditions, the contractors were guaranteed payment for the minimum number of participants stated in their contracts. Consequently, if the minimum number of participants in a contract was 100, but DOES only referred 80 participants to the contractor, DOES was obligated to pay the contractor for 100 participants. The District established 100 as the minimum number of participants for 34 of the 36 contractors.

When we reviewed the invoices submitted by 13 contractors, we determined that 2 contractors did not provide enrichment training to the minimum number of participants stated in their contracts. However, in accordance with the contract terms and conditions, the District paid the two contractors for their minimum number of participants. One contractor, The Dance Institute of Washington (Dance Institute), provided dance instruction and stage production training. We determined that the Dance Institute provided training to about 13 participants, but the minimum number of participants in its contract was 100.<sup>45</sup> Although the District established 100 as the Dance Institute's minimum quantity, the contractor clearly could not accommodate 100 participants. When we interviewed the contractor at his location, we observed that there was not enough space to accommodate 100 SYP participants. The founder of the Dance Institute also admitted to us that he did not have enough space for 100

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<sup>45</sup> We counted the names on the rosters/lists attached to the invoices instead of relying on the information written on the invoices by the contractor.

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## FINDINGS AND RECOMMENDATIONS

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participants.<sup>46</sup> Additionally, the founder stated that he initially decided not to participate in the program because he could not accommodate 100 participants, but two former DOES managers agreed to find additional space for him and convinced him to participate in the program. However, the two managers were unable to acquire additional space for him. These two managers no longer work at DOES and we did not get an opportunity to interview them to substantiate the contractor’s statements. However, we noted that the Dance Institute’s contract did not state it was DOES’ responsibility to acquire additional space for the contractor.

The other contractor (Jwahir Enterprises) provided aerospace training to SYP participants. The minimum number of participants in Jwahir Enterprises’ contract was 100. However, we determined that Jwahir Enterprises only provided training to 51-64 participants.<sup>47</sup> When we interviewed the founder of Jwahir Enterprises, he stated that his organization was equipped to provide training for 100 participants, but 100 participants were not referred to his training program. As a result of the poorly written contract terms and conditions, DOES paid Jwahir Enterprises and the Dance Institute approximately \$324,000 for services that they did not provide (see Table 10 below).

**Table 10. Funds Spent for Services Not Provided**

Contractor	Minimum Number of Youth	Highest Number of Youth Trained	Number of Youth Not Trained <sup>48</sup>	Unit Price	Funds for Services Not Provided <sup>49</sup>
Jwahir Enterprises	100	64	36	\$6,583.16	\$236,993.76
Dance Institute	100	13	87	1,000.00	87,000.00
<b>Total</b>					<b>\$323,993.76</b>

The District did not consider historical data when it established the minimum quantities. The founders for Jwahir Enterprises and the Dance Institute both indicated that their organizations did not have 100 SYP participants in the past. According to the founder for Jwahir Enterprise, his organization only provided training to 50 participants in the 2007 SYP, and the founder for the Dance Institute stated his organization has been participating in the SYP for several years, but usually has only between 20-25 participants. Clearly, if a contractor

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<sup>46</sup> When the Dance Institute submitted its original proposal in response to the solicitation, the contractor stated it could only accommodate 30 participants. However, when the Dance Institute responded to questions raised during the evaluation process, the Dance Institute stated it could accommodate 100 participants.

<sup>47</sup> We counted the names on the rosters/lists attached to the invoices instead of relying on the information written on the invoices by the contractor.

<sup>48</sup> We calculated this amount by subtracting the highest number of youth trained from the minimum number of youth.

<sup>49</sup> We calculated this amount by multiplying the number of youth not trained by the unit price.

## FINDINGS AND RECOMMENDATIONS

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has participated in the SYP during previous years and the contractor has enrolled no more than 25 participants in its training program each year, the District should not establish 100 as the contractor's minimum quantity unless there is a valid reason to believe more participants than usual will be interested in the specific training program.

**Excessive Referrals.** Section G.4.4 of the contract provides, "In no event, shall the number of participants exceed the maximum number of participants listed in Section B.2. of the contract." This contract term is aimed at ensuring that the District does not exceed the budgeted amount for the contracts.

When we interviewed six contractors, none of the contractors stated that they were sent more participants than their maximum quantities. However, OCP reported that some contractors received more than their maximum quantities. According to the contracting officer, contractors contacted OCP and reported more participants were sent to their worksites than allowed, and OCP instructed the contractors to send the participants back to DOES. We do not know if the contractors sent the participants back to DOES as instructed, or if they allowed the participants to remain in their training programs.

We noted that none of the 36 contractors received payments exceeding their maximum contract amounts. However, if the contractors allowed the excessive participants to remain in their training programs, this not only violated the contract terms, but may have also diminished the quality of the training programs. The contractors may not have adequate resources (staffing and space) to accommodate more than the maximum number of participants stated in their contracts.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION III. CONTRACTING FOR ENRICHMENT TRAINING

<b>RECOMMENDATIONS</b>
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We recommend that the Director of the Department of Employment Services, in conjunction with the Chief Procurement Officer for the Office of Contracting and Procurement:

9. Identify potential delays that can impact the timeliness of awarding enrichment training contracts and initiate the procurement process with sufficient lead time to account for the potential delays.
10. Assess whether it is cost beneficial for DOES to hire a vendor to identify businesses to participate in the SYP and if so, require the vendor to coordinate with the PSIP Unit to avoid duplicating work efforts and only allow the vendor to provide unsubsidized jobs.
11. Develop payment terms and conditions that provide adequate protection to the District, such as requiring contractors to bill for their actual number of participants.
12. Establish contract quantities of service needs based on a combination of historical data, past usage, and projected needs for the current SYP.

#### **Management Action**

DOES responded to our draft report on June 16, 2009, taking proactive and positive actions on many of the reported deficiencies and recommended corrective actions. DOES indicated it will provide detailed actions on each of the report recommendations in its response to the final report. The full text of DOES' response to our draft report is included at Exhibit C. We did not receive a response to our draft report from OCP. We request that DOES coordinate its response to the final report with OCP.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION IV. SUMMER YOUTH PROGRAM OPERATIONS

<b>FINDING 9. REGISTRATION AND REFERRAL PROCESS</b>
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#### SYNOPSIS

We identified several deficiencies in the SYP registration process, which severely inhibited DOES' ability to ensure that all participants were eligible to participate in the program. We attributed this condition to operational and administrative breakdowns, such as poorly designed procedures and processes. As a result of these deficiencies, there was an increased opportunity for fraud, waste, and abuse.

In addition, we determined that DOES did not timely refer participants to their worksite assignments. The untimely referrals resulted in approximately 1,000 to 2,000 youth flooding DOES to receive worksite assignments on June 14, 2008, which was 2 days prior to the start of the SYP. To expedite the influx of participants, DOES issued manual referrals. However, DOES did not develop controls to ensure that the referrals were entered into DSAP. Consequently, DOES referred more participants to worksites than there were slots available.

#### DISCUSSION

We found that DOES developed several different versions of the 2008 SYP application to record applicant information and had insufficient documentation requirements for verifying eligibility. In addition, DOES did not have applications for some SYP participants and did not ensure applications were fully completed. Further, DOES staff did not always review original documents when making eligibility determinations or adhere to established procedures for registering Department of Youth Rehabilitation Services (DYRS) youth and summer school students. J.P. Morgan, who the District contracted with to establish direct payment card accounts, did not verify SYP participants' identities as required by federal law. Lastly, DOES did not timely refer participants to worksites. Deficiencies in the registration process are presented in Exhibit B.

**Different Applications.** There were four different versions of the 2008 SYP application. Information required on some applications was not required on other applications. For example, three applications required registrants to write their language preference, but the other application did not require this information. In addition, some of the information required on the applications was not captured in DSAP.

We believe there were multiple versions of the 2008 SYP application because of operational breakdowns. Prior to allowing participants to register for the program and developing DSAP, DOES management did not adequately consider which data elements to capture.

## FINDINGS AND RECOMMENDATIONS

Source documents should be designed and formatted to ensure that all pertinent and relevant information is accurately captured. To avoid future application problems, DOES management should determine what information is essential to the management and operation of the SYP and develop one application to capture this information.

**Documents Used to Establish Registrant Eligibility.** When registrants apply to participate in the SYP, they must submit one acceptable document to support each of the following categories: (1) DOB; (2) citizenship/alien status; (3) residency; and (4) SSN. We examined the list of acceptable documents included in the 2008 SYP application package and concluded that some of the documents contain inherent weaknesses, which could be exploited to gain entry into the program (see Table 11 below).

**Table 11. Acceptable Documents for Establishing Eligibility<sup>50</sup>**

DOB	Citizenship/Alien Status	Residency <sup>51</sup>	SSN
<b>baptismal record</b>	alien registration card	rental lease	social security card
Passport	U.S. passport	<b>DHS<sup>52</sup> letters</b>	<b>TANF records/cards</b>
birth certificate	naturalization certificate	federal tax return 1040 <sup>53</sup>	federal tax return 1040
driver's license	birth certificate	D.C. tax return D-40	D.C. tax return D-40
non-driver's license	<b>baptismal record</b>	<b>TANF records</b>	driver's license
<b>selective service card</b>	military discharge	<b>school records (current)</b>	non-driver's license
<b>hospital records</b>	foreign passport	driver's license	military discharge form
<b>TANF<sup>54</sup> records</b>		non-driver's license	veteran's medical card
military discharge form		<b>government printouts</b>	
veteran's medical card			
military identification			
<b>school record</b>			

The highlighted items in Table 11 - baptismal records, selective service cards, hospital records, DHS letters, TANF records, school records, and government printouts - are listed in the application package as acceptable documents to establish eligibility for one or more of the categories. However, the information on these documents could be based solely on information provided by the registrants. Therefore, we do not believe that DOES employees should rely on these documents alone when they verify a registrant's DOB, citizenship/alien status, residency, and SSN. DOES should not rely solely on any document where it cannot

<sup>50</sup> The SYP application package establishes the types of documents considered acceptable for proof of DOB, citizenship/alien status, residency, and a valid SSN.

<sup>51</sup> The document used to prove residency must include the applicant's name.

<sup>52</sup> Department of Human Services

<sup>53</sup> Federal and D.C. tax returns must be notarized.

<sup>54</sup> Temporary Assistance for Needy Families

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## FINDINGS AND RECOMMENDATIONS

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be established that the issuer validated the information submitted by the registrant. DOES needs to establish a protocol for corroborating registrant information that cannot be authenticated standing alone.

**Completeness of Applications.** Based on a universe of 21,127 District registrants in the August 18, 2008, registration file, we selected a statistical sample of 131 registrants to determine whether they submitted applications. We also determined if the registrants completed all of the data fields on the applications and whether program staff who reviewed the applications completed the “For Official Use Only” section of the application. We found that there were missing applications, registrants did not fill in all information on their applications, and program staff did not sign the required section of the applications.

*Missing Applications.* According to DOES’ policy, all SYP registrants are required to complete applications. However, our statistical sample results showed that 13.74 percent of the sampled registrants did not complete applications to participate in the 2008 SYP. Based on a 95 percent confidence level and a sample precision of  $\pm 5.9$  percentage points, we projected that the number of registrants without applications ranged from 1,656 to 4,149.

The missing applications suggest that either the registrants did not complete applications to participate in the 2008 SYP, or the registrants completed applications, but DOES later lost or misplaced the documents. DOES should institute controls to ensure applications are completed, maintained, and readily available for examination. Further, DOES should establish a document retention policy to ensure applications are maintained for a defined period of time to allow program staff to recreate data if necessary.

*Incomplete Application Data.* DOES program staff did not ensure registrants fully completed their applications before accepting the applications. The SYP registration procedures describe the process for reviewing the applications. The procedures require staff to ensure that all information on the application is complete before acceptance. For example, page 1 of the procedures provides the following:

- Check to ensure that every field is answered correctly[.]
- Match the written first and last name with the first and last name as it appears on the documents used to verify the first and last name. (Numbers 1 & 2)
- Ensure the gender matches what is on the birth certificate[.] (Number 4)
- Match the written address with the document used to verify the address[.] (Numbers 5-11)

The registrants provided their names, addresses, DOB, and SSNs on the applications, but they did not always fully complete other personal information on their applications. However, program staff accepted their applications. For example, program staff did not

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always ensure that the registrants completed the field for their ward designation. District officials stated that one of the goals for the SYP was to reach low-income individuals. Wards 7 and 8 have a large percentage of low-income individuals and a registrant's ward data would be useful in determining whether the program reached this goal. A registrant's ward information could be ascertained from the registrant's address. However, the ward designation for 15,000 registrants would be more readily available and reportable if the registrants initially recorded this information on their applications.

*Applications Not Certified.* Applications did not always indicate the DOES certifying official or a listing of the documents relied upon to complete the certification. All four versions of the 2008 SYP application included a section entitled *For Official Use Only*. According to the registration procedures, the persons reviewing the applications were required to sign their names in the section and write the type of document used to verify DOB, SSN, and residency.

The *For Official Use Only* section is designed to: (1) demonstrate that program staff reviewed the applications for completeness and accuracy; (2) demonstrate that registrants met all program eligibility requirements; and (3) establish accountability. When program employees did not comply with the application review and certification procedures, DOES management did not have a mechanism to detect noncompliance and program officials could not place any assurance on the accuracy of the registrants' data.

We believe DOES staff circumvented established registration procedures because of the large influx of registrants. DOES staff had to continuously register youth throughout the duration of the program due to the Mayor's initiative to "turn no youth away." Further, when large scale payment problems arose, we believe staff focused attention on ensuring that participants were paid.<sup>55</sup>

**Eligibility Determination Process.** DOES did not always review original documents when making eligibility determinations. In addition, DOES allowed DYRS to determine whether DYRS youth were eligible to participate in the SYP, and DYRS allowed youth to begin working in the SYP prior to receiving approval from DOES. District of Columbia Public Schools (DCPS) officials also allowed youth to begin working prior to DOES substantiating their eligibility. These actions conflicted with DOES' policy and the SYP Supervisor's Handbook, which provides the following:

Each year, youth report to worksites without authorization. The Department of Employment Services' Office of Youth Programs **will not** assume responsibility for paying wages to unauthorized youth. **Your agency or organization will be responsible for compensating the youth for the hours**

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<sup>55</sup> The payment crisis began on July 1, 2008, when numerous participants did not get paid or accurately paid for the first pay period. Payment problems persisted throughout the duration of the 2008 SYP.

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**worked.** . . Strict adherence to the following steps will eliminate unauthorized youth from being accepted on your site. . .

. . . .

3. Inform the Youth Service Center of any youth reporting to your worksite without an official letter and is not listed on your T&A [Time and Attendance] form or Worksite Youth Worker Roster. **These youth should not be allowed to work without proper authorization.**<sup>[56]</sup>

*Reviewing Copies of Documents Used to Support Eligibility.* DOES did not review original documents when making eligibility determinations for some registrants. Some community organizations picked up blank SYP applications from DOES and distributed them to youth. Once the youth completed their applications, they submitted their applications, along with the documents used to support their DOB, SSN, and residency, to the community organizations. Upon receipt, the community organizations copied the supporting documents and they provided the youth's applications and copies of their supporting documents to DOES. DOES reviewed the copies of the supporting documents to determine if the youth were eligible to participate in the SYP.

We believe DOES allowed community organizations to collect applications and provide copies of supporting documents to DOES because DOES did not consider the implications of relying on copies. Allowing community organizations to collect applications from youth may make it more convenient for youth to register for the SYP. However, DOES management cannot be assured of the validity of the registrants or the authenticity of their supporting documents when community organizations collect applications and provide copies of supporting documents to DOES. DOES should refrain from this practice until the agency assesses the risk of this practice. If management decides to continue to allow community organizations to provide copies of supporting documents to DOES, DOES needs to develop and provide guidance to the community organizations and provide training to the community organizations with respect to eligibility determinations.

*Verifying Participating DYRS Youth.* DOES allowed DYRS to determine whether DYRS youth were eligible to participate in the SYP, and DYRS youth did not provide documents to support their DOB, citizenship/alien status, SSN, and residency. However, DOES policy did not grant DYRS authority to determine eligibility or exempt youth from providing supporting documents. DYRS officials stated that approximately 300 DYRS youth participated in the SYP, and they verified the information on the youth's applications by contacting their parents, parole officers, and other officials because the youth did not have access to the documents needed to support their eligibility. Because DYRS youth do not have access to the supporting documents needed to verify their eligibility, we believe that DYRS may be in

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<sup>56</sup> D.C. DEPARTMENT OF EMPLOYMENT SERVICES PASSPORT-TO-WORK 2008 SUMMER YOUTH PROGRAM SUPERVISOR'S HANDBOOK 10 - 11 (2008) (emphasis in original).

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a better position than DOES to verify the youth's eligibility. However, if DOES continues to rely on DYRS to determine eligibility, DOES needs to revise its policy and approve DYRS' procedures for verifying the youth's DOB, citizenship/alien status, SSN, and residency.

During our review, we also determined that 54 DYRS youth who participated in the 2008 SYP began working without DOES' knowledge. This situation occurred because DOES did not institute a mechanism to collect applications from DYRS and did not reconcile or verify the number of youth participating at DYRS. DYRS officials did not provide the applications for the 54 youth to DOES until August 13, 2008, and DOES entered the youth in the DSAP registration file on August 20-22, 2008. Because these youth were belatedly entered into the registration file, they were not timely paid. However, this fact did not cause a stir because the youth housed in DYRS' facilities do not receive their debit cards until they are released from the facilities. DYRS officials stated that they maintained the timesheets to support the youth's working hours throughout the program, and thus, the youth will get paid. Irrespective of this fact, DOES is ultimately responsible for implementing a mechanism to identify and account for all youths who participate in the SYP. As such, DOES, in conjunction with DYRS, needs to develop procedures to ensure applications are timely submitted to DOES and youth are not allowed to start working until DOES grants approval.

*Verifying Participating Summer School Students.* DCPS summer school students started working in the SYP before DOES substantiated their eligibility. On June 30, 2008, the former OYP Director indicated that DOES had just received applications for 23 summer school students at Coolidge High School, although they began working during the first week of the SYP. According to DCPS and DOES officials, some of the summer school students participating in the SYP submitted their applications and supporting documents to DCPS and not DOES. Thus, it was possible that these students completed applications prior to the start of the program, but DCPS did not timely provide the applications to DOES. However, these students should not have been allowed to start working until DOES determined that they were eligible to participate in the program and DOES authorized DCPS to allow them to begin working. Although DCPS collected applications from some of the summer school students, both DCPS and DOES officials stated that only DOES made eligibility determinations.

**Verifying Participants' Identities.** As required by federal law, J.P. Morgan did not verify the identities of the SYP participants when the financial institution opened up accounts for the participants. Title 31 CFR § 103.121 requires banks to implement a Customer Identification Program (CIP) to verify the identity of their customers.<sup>57</sup> At a minimum, the CIP must include procedures to verify the customer's name, DOB, address, and identification number.<sup>58</sup> Similarly, DOES requires program staff to substantiate the DOB, citizenship/alien status, residency, and SSN for all SYP participants.

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<sup>57</sup> The purpose of the CIP is to prevent money laundering.

<sup>58</sup> For a U.S. citizen, the identification number is the person's taxpayer identification number.

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The contract between the District and J.P. Morgan does not discuss the CIP verification procedures. The contract simply provides that J.P. Morgan “will require each person desiring and qualifying to participate in the Program to enroll in a manner consistent with the requirements imposed upon JP Morgan by law.” On October 2, 2008, we met with Office of Finance and Treasury (OFT) officials and a representative from J.P. Morgan to determine what methods the financial institution employed to comply with the CIP.<sup>59</sup> The representative stated that J.P. Morgan relied on DOES to verify the identities of the SYP participants. The representative also stated that in March 2008, bank representatives met with OFT and DOES officials and explained the procedures that District officials needed to follow to verify the registrants’ identities.

Although DOES requires program staff to substantiate the same information required to be verified as part of the CIP, J.P. Morgan cannot rely on DOES to fulfill its CIP requirements. Title 31 CFR § 103.121 includes a provision for which a bank may rely on another bank to verify the identity of its customers; however, 31 CFR § 103.121 does not include provisions for relieving a bank of its CIP responsibilities based on the identification procedures of nonfinancial institutions, such as the District government. As such, J.P. Morgan, working with DOES, should have established a mechanism to have bank representatives verify the identities of the SYP participants.

**Worksite Referrals.** DOES did not notify many SYP participants of their worksite assignments prior to June 14, 2008, and as a result, youth flooded DOES on June 14, 2008. The former Director stated that when she went to DOES on June 14, 2008, to pick up documentation for the SYP orientation, there were approximately 1,000 youth at the DOES building.<sup>60</sup> Some of the youth had receipts showing that they registered for the SYP, but the youth had not received a letter notifying them of the work assignments. The former DOES Director recalled that everyone, including her, pitched in to assign worksites to the youth. The former SYP Manager looked into the system to determine the number of available slots at various worksites, and she printed out sheets of paper for staff to use when making referrals. For example, if a worksite had 50 slots, the former SYP Manager printed out just 50 sheets of paper for the particular worksite. However, problems occurred because some staff members made additional copies of the sheets of paper. Consequently, more participants were sent to worksites than the number requested by the host agencies. In addition, staff did not make copies of the manual referrals given to the participants and thus, manual referrals were never entered into the system. According to the former DOES Director, on this day, she realized DOES lost control of the data management.

We identified several reasons explaining why participants were not timely notified of their assignments. First, the participants referred to the 36 enrichment training contractors could not be timely notified because the contracts were not entered into the system until June 14,

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<sup>59</sup> The OFT is a division of OCFO.

<sup>60</sup> Orientation was held during the first week of the SYP.

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2008.<sup>61</sup> In addition, an OIT employee stated that the OIT could not send out letters to some participants because of the following reasons: (1) DOES did not have enough ink for its printers; and (2) there were thousands of registrants who had not been entered into system. By this OIT employee's account, 2,000 participants were lined up at DOES on June 14, 2008, because they had not received worksite assignments.

In its haste to refer participants to worksites 2 days before the SYP started, DOES made manual referrals without developing controls to ensure that they were promptly entered into DSAP. Because participants were not assigned to their host agencies in DSAP, they were not included on their host agencies' DSAP timekeeping roster. Consequently, the host agencies could not input their working hours in DSAP. Alternatively, the host agencies had to complete manual time and attendance forms for the participants and provide the forms to DOES so DOES staff could enter the participants' working hours in the system. As one of the purposes for developing DSAP was to allow host agencies to enter their participants' working hours in the system, this practice defeated one of the main purposes of developing the system.

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<sup>61</sup> The contractors were not entered into the system before June 14, 2008, because their contracts were awarded between June 10, 2008, and June 16, 2008. This issue is discussed in more detail in Finding 7, *Contracting for Enrichment Training and Other Services*.

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### SECTION IV. SUMMER YOUTH PROGRAM OPERATIONS

<b>FINDING 10. AGE AND RESIDENCY REQUIREMENTS</b>
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#### SYNOPSIS

DOES employees registered youth for the 2008 SYP who did not meet the minimum age requirement or exceeded the age requirement, and DOES employees registered youth living outside of D.C. who were not District wards. These conditions occurred because: (1) District employees were not knowledgeable of existing registration procedures or they ignored the existing registration procedures when the program was inundated with participants; (2) DSAP did not have application controls that would prevent employees from entering underage or overage registrants and registrants residing outside of the District (other than District wards);<sup>62</sup> and (3) the Mayor instructed DOES to forgo a registration deadline, but DOES did not provide guidance to staff on how to manage this program change. As a result, DOES spent approximately \$125,000 for ineligible youth to participate in the program.

#### DISCUSSION

The 2008 SYP application package states: “To be eligible, an applicant must be a District resident, 14-21 years of age. Therefore, if you are 13 years of age you must turn 14 years old by the start of the program, which is Monday, June 16, 2008.” These guidelines are specific and designed to adhere to child labor laws and ensure that only District youth benefit from the program. Although the Application Package does not state that District wards are eligible to participate in the program, DOES’ registration procedures indicate that wards are eligible. Our review disclosed that DOES registered participants who did not meet the age requirements or who did not submit the required documentation to prove that they were District wards.

#### Compliance with Age Requirements

In order to participate in the 2008 program, participants must have been born between June 17, 1986, and June 16, 1994. Our analysis of the August 18, 2008, registration file provided by the OIT staff showed that 95 registrants did not meet the age requirements to participate in the 2008 SYP. During our review, we observed that DSAP did not have appropriate application controls to prevent DSAP users from entering underage or overage registrants in the system.

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<sup>62</sup> The DSAP application control weaknesses are discussed in more detail in Finding 6, *Application Control Deficiencies*.

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**Overage Registrants.** The DSAP registration file showed 24 registrants exceeded the age requirement. We searched for the registrants' applications so we could determine whether DOES employees erred when they entered the registrants' DOBs in DSAP, or whether the registrants were in fact ineligible for the program. We were able to locate applications for only 8 of the 24 registrants. Of the eight registrants with applications, one registrant was eligible to participate in the SYP. The registration file showed that this registrant's DOB was January 1, 1900, but the DOB on the registrant's application was September 12, 1992. Thus, the registrant was 15 years old as of June 16, 2008 (i.e., the start of the program). According to the program guidelines, the remaining seven registrants were too old to participate in the program. We determined that DOES paid \$12,067 to these 7 ineligible registrants and the 16 registrants without applications.<sup>63</sup>

**Underage Registrants.** The DSAP registration file showed 71 registrants did not meet the minimum age requirement. We searched for the registrants' applications so we could determine whether DOES employees erred when they entered the registrants' DOBs in DSAP, or whether the registrants were in fact ineligible for the program. We could not locate the applications for 35 of the 71 registrants. Of the 36 registrants with applications, 3 registrants were eligible to participate in the program. Employees erred when they entered the DOBs in DSAP for the three registrants. Table 12 shows the errors made for the three registrants.

**Table 12. Input Errors for Underage Registrants**

Registrant	DOB in Registration File	DOB on Application
Sample No. 79	11/18/98	11/18/90
Sample No. 36	04/10/98	04/10/93
Sample No. 11	10/06/94	01/06/94

According to the program guidelines, the remaining 33 registrants (with applications) were too young to participate in the program. Based on DOES data, we determined that DOES paid \$41,175 to these 33 ineligible registrants and the 35 registrants without applications.

Although some registrants were not 14 years old when the program began, 18 of the 71 registrants did not register for the program until they turned 14 years old. We made this determination by reviewing the DOB and registration dates on the actual applications. When the applications were not available, we relied on the DOB and enrollment dates in the DSAP registration file. We were unable to determine if some participants registered before they turned 14 because the DSAP registration file contained an unreasonable registration date

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<sup>63</sup> This figure is based on data provided by DOES.

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(such as January 1, 1900), and we could not locate the applications for these registrants. Table 13 summarizes our results.

**Table 13. Eligibility Timing for Underage Registrants**

<b>Eligibility Timeframes</b>	<b>Number</b>
Registrants met age requirement prior to registering but after 06/16/08	18
Registrants did not meet age requirement before 06/16/08 or when they registered	23
Registrants met age requirement by 06/16/08 (registrants with input errors)	3
Registrants with missing applications and unreasonable registration date in DSAP	27
<b>Total Underage Registrants (Per Registration File)</b>	<b>71</b>

Because the Mayor instructed DOES management to forgo a registration deadline for the program, some DOES employees believed it was permissible to register youth as long as they were 14 years old at the time of registration. Although the Mayor instructed DOES to eliminate the deadline, it was incumbent upon DOES management to issue guidance addressing whether staff could register youth who turned 14 after June 16, 2008. We did not find any written guidance provided to staff. We contacted EOM officials to determine whether the Mayor intended for DOES to register youth who were not 14 years old as of June 16, 2008; however, EOM officials did not respond to our requests.

We noted that four of the underage registrants turned 14 years old on June 17, 2008, which was 1 day after the start of the program. On a case-by-case basis, we believe DOES management should be able to decide whether to allow these youths to register for the program. However, we believe that: (1) only designated managers should be allowed to make this decision; (2) managers must be given and use reasonable latitude; and (3) managers should not allow youth to start working until they turn 14 years old. Further, DOES should develop policies and procedures that define the exceptions to SYP participation rules, and management must document when exceptions are granted.

### **Compliance with Residency Requirements**

D.C. wards are the only non-District residents allowed to participate in the SYP. However, we observed that DSAP did not have appropriate application controls that would prevent employees from entering registrants residing outside of the District (other than District

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wards). The September 2, 2008, registration file showed that there were 191 registrants who did not live in Washington, D.C.<sup>64</sup> Table 14 shows the listed states for the 191 registrants.

**Table 14. Registrants with Non-District Addresses**

State	Number
Virginia	2
Maryland	183
Georgia	2
Florida	2
Texas	1
No State Listed	1
<b>Total</b>	<b>191</b>

We reviewed the applications for the non-D.C. residents to determine whether the applications showed that the registrants were District wards or if DOES employees erred when they entered the registrants' addresses in DSAP. In addition, we contacted the Child and Family Services Agency (CFSA) to verify if any of the 191 registrants were actually District wards.<sup>65</sup> Further, we determined whether the registrants provided a CFSA letter when they registered for the SYP, as required by DOES registration procedures.

**Ward Status Not Shown on Applications.** All four versions of the 2008 SYP application required that registrants indicate whether they were District wards. However, we determined that not all of the registrants with non-D.C. addresses provided this information. We were only able to locate applications for 161 of the 191 registrants, and we determined 20 of the 161 registrants did not indicate that they were District wards on their applications.

During our review of the applications, we also determined that staff made data entry errors for four registrants. Their applications showed that they lived in Washington, D.C. although the DSAP registration file showed that they lived somewhere else. The registration file showed: (1) two registrants lived in Washington, Florida; (2) one registrant lived in Washington, Georgia; and (3) one registrant lived in Cheltenham, Maryland.<sup>66</sup>

**Non-Resident Participation.** In order to determine whether the 191 registrants with non-District addresses were District wards, we provided CFSA with the list of the 191 registrants, and CFSA performed a data match with FACES, its child welfare information system. Based on the results, we determined that 129 registrants were District wards and thus, they were eligible to participate in the SYP. We also verified three additional

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<sup>64</sup> One entry or record appeared to be a duplicate. The registrant's name and address are the same on both records and the SSN is very similar. Only the last digit of the SSN is different.

<sup>65</sup> CFSA is the D.C. public agency charged with protecting child victims and children at risk of abuse or neglect.

<sup>66</sup> The registrant whose application showed that he lived in Cheltenham, Maryland was a D.C. ward.

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registrants who were eligible to participate because they lived in Washington, D.C. and not at the addresses shown in the DSAP system. The remaining 59 registrants were not District wards; consequently, they were not eligible to participate in the SYP. DOES paid these 59 registrants approximately \$71,569.<sup>67</sup> Although CFSA identified most of the 191 registrants as wards, this does not negate the fact that DOES employees were required to verify this information prior to registering the registrants for the 2008 SYP.

**Improper and Questionable Documents Accepted.** DOES employees accepted documentation other than a CFSA letter to verify whether non-District registrants were wards. In total, only 97 of the 161 registrants with applications had the required CFSA letter attached to their applications.

During our review, we also determined that DOES employees accepted questionable documentation. For example, in one case, a lawyer wrote a letter stating that a registrant was a District ward; however, the letter was not on letterhead and the lawyer did not sign the letter. We also identified an instance in which an employee knowingly registered a non-District resident. The youth had a District address on his application, but the youth clearly did not live in D.C. On June 16, 2008, the youth's mother wrote a letter stating that she gave legal guardianship of her son to her cousin and her son would be living with her cousin from June 16, 2008, to August 18, 2008. This letter is attached to the youth's application. Clearly, this example suggests that the parent granted guardianship to the cousin primarily to exploit the SYP. We were unable to determine which employee registered this youth because the application was not signed by the person who reviewed it. We also noted that this youth was not yet 14 years old when the 2008 SYP started.

District employees accepted documentation other than a CFSA letter because either: (1) they were not knowledgeable of the existing registration procedures; or (2) they simply ignored the existing registration procedures as youth flooded DOES to register for the SYP and to resolve payment problems.

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<sup>67</sup> This figure is based on data provided by DOES.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION IV. SUMMER YOUTH PROGRAM OPERATIONS

<b>FINDING 11. DEBIT CARD OPERATIONS</b>
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#### SYNOPSIS

We identified breakdowns in internal controls in DOES' debit card operations. DOES did not establish adequate controls over the management, issuance, distribution, and accountability of debit cards. These conditions occurred because DOES did not adequately plan for debit card management and control. As a result, the SYP was highly susceptible to the risk of fraud, waste, and abuse. The detrimental effects of a poorly managed debit card process were evident because we could not account for all debit cards, participants assigned to unsubsidized host agencies received debit cards, and individuals who did not participate in the 2008 SYP may have received payments.

#### DISCUSSION

For the 2008 SYP, DOES management implemented a new initiative changing the payment instrument for the SYP participants from EBT cards to debit cards.<sup>68</sup> The financial institution (J.P. Morgan) that issued the debit cards mailed them to the District and not to the participants. As such, it was incumbent upon DOES management to develop and implement adequate controls for distributing the debit cards and accounting for the debit cards to protect them against fraud, waste, and abuse. However, our review disclosed that DOES did not develop a sufficient plan to distribute the debit cards and DOES could not account for missing debit cards included on its inventory list. Additionally, debit cards were created for participants assigned to unsubsidized host agencies and individuals who were not SYP participants. Further, DOES incurred fees for expedited debit cards, although the agreement between the District and the financial institution required SYP participants to incur the fees.

**Distribution of Debit Cards.** DOES did not have an effective plan to distribute the debit cards to SYP participants. Debit cards created for participants were mailed to the District instead of the participants' homes and participants did not have to activate their debit cards from their home telephones.<sup>69</sup> As a result, the debit cards were exposed to an increased risk of loss, given the addition of DOES as an intermediary in the debit card distribution chain. Further, DOES did not always require participants to sign a list or receipt when they received their debit cards. Consequently, we could not account for all debit cards or verify that the intended recipients of some debit cards actually received them.

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<sup>68</sup> This initiative and all of the other new initiatives for the 2008 SYP are discussed in Finding 1, *Management Initiatives*.

<sup>69</sup> Requiring participants to activate their debit cards from their home telephones provides reasonable assurance that the intended recipients received the debit cards.

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## FINDINGS AND RECOMMENDATIONS

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*Debit Cards Mailed to the District.* After applicants registered for the SYP, DOES transmitted the DSAP registration file to J.P. Morgan, which opened individual accounts for the SYP participants and created debit cards for them. Generally, when a person opens an account, the bank or financial institution will mail the person's electronic banking instrument to the person's address. However, the AFO informed us that the District required J.P. Morgan to send the debit cards to the AFO instead of the participants' addresses because DOES was concerned that participants' parents may misuse the debit cards. The District also required J.P. Morgan to mail replacement cards to the AFO.

In our opinion, both the original debit cards and the replacement debit cards should have been mailed to the participants' home addresses. This is the best control to provide reasonable assurance that the debit cards are received by the intended recipients and decrease the potential for loss. In addition, we believe that there is no valid reason to assume the participants' parents will misuse the original debit cards or the replacement debit cards. Further, most of the SYP participants are minors and fall under the supervision and authority of their parents or legal guardians.

*Distributing Debit Cards to Participants.* DOES originally planned to distribute debit cards to the participants during orientation, which was held during the first week of the SYP. However, distributing the debit cards at orientation became an overwhelming process because there was a large volume of participants and the debit cards for the participants were not properly alphabetized so staff could easily locate them. In addition, many participants did not attend orientation because DOES did not mail letters notifying them of their scheduled orientation dates. Consequently, some participants did not receive their debit cards at orientation, as planned. Participants who did not receive their debit cards at orientation had to go to DOES or the designated pay center to receive their debit cards. To alleviate the burden on DOES staff, volunteers at several different agencies had to provide assistance during the 2008 SYP.

The task of distributing debit cards remained cumbersome throughout the duration of the 2008 SYP because DOES had to continuously register participants due to the Mayor's initiative to allow youth to register at any time. Consequently, there was a constant influx of debit cards for new participants. Further, the District was forced to continue devoting resources to the SYP after the program ended because the participants' debit card accounts remained opened after the program ended and replacement debit cards were mailed to the District.<sup>70</sup> For example, if a participant did not withdraw all of the money from the account after the end of the program, lost the debit card, and ordered a replacement card, the participant had to go to DOES to obtain a replacement card. Thus, the AFO and DOES had to continuously devote resources to the SYP, and DOES had an inventory of undistributed debit cards after the program ended.

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<sup>70</sup> According to J.P. Morgan representatives, participants are allowed to keep their accounts open for 3 years from the date that their accounts are opened, provided there is activity on their accounts.

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*Proof of Receipt of Debit Cards.* When participants received their debit cards, DOES did not always require participants to sign a list or receipt as proof that they received their debit cards. According to the debit card manager, the participants signed their names on a list when they received their debit cards at orientation. However, he stated that when DOES began distributing debit cards, the participants did not sign a list or receipt for their debit cards. The participants signed in at the OYP front desk indicating that they were at DOES to receive their debit cards, but the participants did not sign a list or receipt when they actually received their debit cards. Thus, it is possible that some participants came to DOES and signed in at the front desk, but left without receiving their debit cards. The debit card manager stated that when employees from the Mayor's office became involved with the debit card distribution process, they created a receipt for participants to sign when they received their debit cards.

*Activating Debit Cards.* Generally, when a person activates his electronic banking instrument, the bank or financial institution requires the person to activate the instrument from his home telephone number to ensure that the intended person received the instrument. However, when participants received their debit cards, they could activate their debit cards from any telephone number, including telephone numbers belonging to the DOES. This approach posed a risk of loss due to inadequate physical security over the undistributed debit cards and inadequate separation of duties.<sup>71</sup> Because the debit cards did not have to be activated from the participants' home telephone numbers, it is possible that DOES employees who had access to the room where the undistributed debit cards were stored and the DSAP registration file, could have taken debit cards intended for SYP participants and activated the debit cards without detection. J.P. Morgan was able to identify when the debit cards were activated, but was unable to tell us the location from where the debit cards were activated. If J.P. Morgan could have provided our auditors with the telephone numbers used to activate the cards, the audit team may have been able to identify anomalies.

**Accounting for Debit Cards.** DOES did not designate someone other than the debit card manager to periodically conduct an inventory of the debit cards. The GAO's Standards for Internal Control provides that vulnerable assets should be periodically counted and compared to control records.<sup>72</sup>

On October 22, 2008, we conducted an unannounced inventory of the debit cards. The debit card manager provided a list of the undistributed debit cards reportedly on hand as of October 21, 2008. The list, which contained the cardholders' first and last names and addresses, showed that there were 722 undistributed cards on hand. Some individuals had more than one debit card because replacement cards were ordered for them. Thus, the 722 debit cards on hand did not represent debit cards available for 722 individuals. Because the envelopes containing the debit cards were sealed, we conducted our inventory by comparing

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<sup>71</sup> These issues are discussed in Finding 3, *Internal Controls Over Summer Youth Program*.

<sup>72</sup> STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT 4 (Nov. 1999).

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## FINDINGS AND RECOMMENDATIONS

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the names and addresses on the list provided by the debit card manager to the names and addresses on the envelopes containing the debit cards. If individuals were listed more than once on the list, we checked to determine if there were multiple cards for the individuals.

When we completed our inventory, we were unable to account for 83 of the 722 debit cards, and we found 9 debit cards belonging to individuals not included on the inventory list. Subsequent to our inventory, the debit card manager provided receipts showing 35 individuals picked up their debit cards and signed receipts as proof of receipt.<sup>73</sup> Thus, in total, 48 of the 722 debit cards included on the inventory list were unaccounted for. The debit card manager could not provide proof that these 48 debit cards had been picked up by the intended recipients.

**Debit Cards Created for Unsubsidized Participants and Non-SYP Participants.** J.P. Morgan created debit cards for participants assigned to unsubsidized host agencies and for individuals who did not participate in the 2008 SYP because these individuals were included in the DSAP registration file submitted by DOES. In total, 27,322 debit cards were created for the 2008 SYP.<sup>74</sup>

*Debit Cards for Unsubsidized Participants.* Participants assigned to unsubsidized host agencies were paid by their respective host agencies. Accordingly, these participants should not have received debit cards. DSAP did not include a feature to distinguish between participants referred to unsubsidized and subsidized host agencies. Consequently, J.P. Morgan created debit cards for participants assigned to unsubsidized host agencies and funds were placed on debit cards for these participants when the Mayor issued the “pay all” directive.

To determine whether participants assigned to unsubsidized host agencies received duplicate payments (one payment from their host agencies and another payment on their debit cards), we first had to identify the participants assigned to the unsubsidized host agencies. We relied on the PSIP closeout report and PSIP staff to identify the participants assigned to unsubsidized host agencies because we could not use DSAP or alternative sources, such as the business partnership agreements. After we identified the participants assigned to unsubsidized host agencies, we determined whether they were on DOES’ payroll file for pay periods 1-5 and if so, whether their debit cards had been activated. Based on our review, we determined that 89 unsubsidized participants had activated debit cards. Twelve of the 89 participants should have received debit cards because DOES and their respective host agency agreed that DOES would pay their wages upfront and the host agency would reimburse DOES at the end of the SYP. Consequently, these 12 participants did not receive duplicate

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<sup>73</sup> These 35 individuals were included only once on the inventory list.

<sup>74</sup> This number encompasses debit cards created as of November 6, 2008, and represents 22,298 individual accounts.

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## FINDINGS AND RECOMMENDATIONS

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payments. The remaining 77 participants were paid approximately \$132,000.<sup>75</sup> Due to the poor internal controls for managing and controlling the debit cards, we could not verify whether these 77 individuals actually received and activated their own debit cards, or someone other than these individuals received and activated their debit cards.

In order to accurately capture the number of SYP participants, DOES must include all participants in the DSAP registration file. However, DOES should have included a feature in DSAP to prevent debit cards from being created for unsubsidized participants unless DOES agreed to pay their wages upfront and required host agencies to reimburse DOES at the end of the program. In the absence of this feature, DOES should have taken adequate measures to ensure that the debit cards for unsubsidized participants were not distributed.

*Debit Cards for Non-SYP Participants.* During the VOS to DSAP conversion process, the following events occurred:

- (1) Individuals who did not register to participate in the 2008 SYP, but who participated in the SYP during previous years were “brought over” into DSAP as current registrants (hereafter referred to as group 1);
- (2) Individuals who participated in other programs under the Passport-to-Work Program were “brought over” into DSAP, although these individuals were to be paid with EBT cards (hereafter referred to as group 2); and
- (3) Support staff hired to assist DOES with the SYP and other OYP programs were “brought over” into DSAP, although these individuals were to be paid with EBT cards (hereafter referred to as group 3).

Because these three groups of individuals were included in the DSAP registration file transmitted to J.P. Morgan, the financial institution created debit cards for them. Consequently, funds were placed on their debit cards when the Mayor issued the “pay all” directive. Based on our review, we determined that 36 individuals in group 3 had activated debit cards and, according to DOES records, DOES paid these participants approximately \$26,000. We did not confirm whether these 36 individuals also received funds on their EBT cards; however, we provided DOES with the names of the individuals so management can determine if they were overpaid. We could not identify which individuals fell in group 1 because the DSAP registration file did not distinguish between active participants (2008 participants) and inactive participants (prior years’ participants). We did not check to determine whether individuals in group 2 had activated debit cards.

The registration file also included individuals who registered for the 2008 SYP, but did not actually participate in the program. As a result, J.P. Morgan created debit cards for these

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<sup>75</sup> This figure is based on data provided by DOES.

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## FINDINGS AND RECOMMENDATIONS

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individuals, and funds were placed on their debit cards when the Mayor issued the “pay all” directive. We could not identify which individuals fell in this group because DSAP did not distinguish between registrants and participants. However, there was suspicion within DOES that some individuals went to DOES and attempted to obtain their debit cards by deceiving District employees. Although DOES officials implemented measures to avoid distributing debit cards to non-SYP participants, we were unable to substantiate the effectiveness of the measures.

**Bank Fees Incurred for Participants.** DOES incurred bank fees for J.P. Morgan to establish accounts for SYP participants, although the contract between OCFO and J.P. Morgan provided that the District would not incur any charges for the accounts. The contract showed that there would be no setup fees, enrollment fees, automated clearing house credit and debit fees, or account maintenance fees for the District. However, the contract provided for fees to be paid by the cardholders (i.e., the SYP participants).

During our review, we determined that two changes were made to the contract, but the Chief Procurement Officer for the OCFO did not issue a modification to the contract to reflect the changes. The contract required the cardholders to pay a \$17.50 fee when they wanted J.P. Morgan to expedite their replacement cards. However, the District and J.P. Morgan later verbally agreed that the District would pay the fee for the expedited replacement cards instead of the cardholders. J.P. Morgan charged the District \$8,526 for expediting debit cards. Instead of charging the District \$17.50 for each replacement debit card, J.P. Morgan charged the District \$17.50 per shipment, which included numerous replacement debit cards.

Further, the contract required the cardholders to pay \$7.50 for each card replacement after the first replacement card, but J.P. Morgan later decided to waive this fee. The OCFO did not modify the contract to reflect this change. Although this change resulted in a benefit to the SYP participants and the District did not incur any charges as a result of this change, all changes to contracts must be documented, as required by 27 DCMR § 3602.1. Modifying contracts to reflect new terms and conditions provides assurance that the District’s interest is protected.

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## FINDINGS AND RECOMMENDATIONS

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### SECTION IV. SUMMER YOUTH PROGRAM OPERATIONS

<b>RECOMMENDATIONS</b>
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We recommend that the Director of the Department of Employment Services:

13. Decide what registration information is required to effectively manage and operate the SYP and develop procedures for tracking this information.
14. Strengthen registration procedures to ensure that all SYP participants are eligible to participate in the SYP and prevent ineligible individuals from exploiting the program.
15. Institute controls to ensure applications are completed, maintained, and readily available for examination and establish a document retention policy to ensure applications are maintained for a defined period of time to allow program staff to recreate data if necessary.
16. Assess the risk of allowing community organizations to provide youth applications and registration documents to DOES and if permitted, provide guidance and training on program eligibility to the community organizations.
17. Assess the risk of allowing DYRS to determine eligibility for DYRS youth and if permitted, revise DOES' procedures to reflect this practice and approve DYRS' procedures for verifying DYRS youth eligibility.
18. Develop procedures to ensure that applications for DYRS youth and DCPS summer school students are timely provided to DOES and youth are not allowed to start working until DOES grants approval.
19. Establish a mechanism for the participating banking institution to verify the identities of the SYP participants.
20. Establish procedures to ensure manual referrals are timely entered into the registration and timekeeping system.
21. Provide guidance and training to employees to ensure that they are knowledgeable of the existing registration procedures and prepared to manage program changes.

## **FINDINGS AND RECOMMENDATIONS**

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22. Require the financial institution to mail debit cards to the participants' home addresses to provide reasonable assurance that the debit cards are received by the participants and to significantly reduce debit card exposure to risk of loss.
23. Institute measures to ensure that debit cards are not created for non-SYP participants.
24. Ensure that all changes to the debit card contract with the participating financial institution are made in writing, as required by 27 DCMR, to ensure the District's interest is adequately protected.

### **Management Action**

DOES responded to our draft report on June 16, 2009, taking proactive and positive actions on many of the reported deficiencies and recommended corrective actions. DOES indicated it will provide detailed actions on each of the report recommendations in its response to the final report. The full text of DOES' response to our draft report is included at Exhibit C.

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## **OTHER MATTERS OF INTEREST**

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While performing our audit, other issues came to our attention. We found that DOES did not have written signed agreements with all of the host agencies that participated in the 2008 SYP. In addition, DOES provided funds to the OLA to support the ProUrban Youth Program, but the OLA provided the funds to an organization without soliciting competition.

### **AGREEMENTS WITH HOST AGENCIES**

DOES policy requires host agencies to enter into host agency agreements or business partnership agreements with DOES; however, we determined 50 host agencies that participated in the 2008 SYP did not have agreements. In some instances, the host agencies simply sent DOES an email stating that they would participate in the program. The host agency agreements and business partnership agreements, unlike the emails, outline the responsibilities of DOES and the host agencies, and other information, such as which party is responsible for paying the participants' wages and the workplace guidelines. Although DOES assumes responsibility for paying the wages for nearly all of the SYP participants, it is imperative that all host agencies sign agreements with DOES to ensure that they are aware of the workplace guidelines. During our review of the host agency agreements and business partnership agreements, we also found that DOES did not sign the majority of the agreements that were signed by the host agencies.

Further, we determined that DOES created an ACCESS database to track the host agencies recruited by the PSIP Unit to participate in the OYP's programs, but the database was unreliable. The Supervisor for the PSIP Unit created the ACCESS database to capture the host agencies, along with other information such as: (1) the number of participants that the host agencies agreed to hire; (2) the salaries that the host agencies agreed to pay their participants; and (3) the participants assigned to the host agencies. The audit team should have been able to use this database to determine which SYP participants were assigned to unsubsidized host agencies and identify which participants received duplicate payments (one payment from their host agency and another payment from DOES) by matching this ACCESS database with the SYP payroll file. However, we were unable to rely on the database because it contained incomplete information, duplicate entries, and other errors. For example, numerous businesses were listed in the database multiple times and the database contained what appeared to be invalid SSNs for some participants. If DOES does not maintain a reliable database of participating host agencies, DOES cannot accurately report on the success of the PSIP Unit's recruiting efforts or readily identify unsubsidized host agencies and the participants assigned to these host agencies.

### **PROURBAN YOUTH PROGRAM**

OLA did not solicit competition when it selected the coordinator for the ProUrban Youth Program. Under the ProUrban Youth Program, community organizations provide training, youth development opportunities, and life enrichment experiences to Latino youth and other minorities. In May 2008, DOES and OLA executed an MOU that required DOES to provide

## **OTHER MATTERS OF INTEREST**

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\$630,000 to the OLA to support the ProUrban Youth Program. When the OLA received the \$630,000, OLA provided the funds to the Columbia Heights/Shaw Family Support Collaborative. OLA did not solicit competition or attempt to identify other community organizations that could serve as the coordinator for the program. OLA also provided funds to the Columbia Heights/Shaw Family Support Collaborative in prior years without soliciting competition.

Based on our assessment, the Columbia Heights/Shaw Family Support Collaborative is not the only organization in D.C. that is capable of coordinating the ProUrban Youth Program. Accordingly, OLA should promote full and open competition. By soliciting competition, the District may be able to acquire the services of another organization at a lower price.

**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS  
RESULTING FROM AUDIT**

<b>Recommendation</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date</b>	<b>Status<sup>76</sup></b>
1	<b>Internal Control.</b> Ensures DOES requests sufficient funds for its SYP budget to implement operational and programmatic guidelines.	Non-Monetary	TBD	Open
2	<b>Internal Control.</b> Prevents DOES from exceeding the established budget for the SYP.	Non-Monetary	TBD	Open
3	<b>Internal Control.</b> Ensures DOES accomplishes the tasks to execute an efficient and effective summer program.	Non-Monetary	TBD	Open
4	<b>Economy and Efficiency.</b> Enhances operational efficiency and reduces the risk of fraud, waste, and abuse.	Monetary Undeterminable	TBD	Open
5	<b>Economy and Efficiency.</b> Ensures that DOES has an automated solution to support management decisions, program objectives, and business processes.	Non-Monetary	TBD	Open
6	<b>Economy and Efficiency.</b> Decreases the risk of ineligible youth participating in the SYP.	Monetary Undeterminable	TBD	Open

<sup>76</sup> This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS  
RESULTING FROM AUDIT**

<b>Recommendation</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date</b>	<b>Status<sup>76</sup></b>
7	<b>Internal Control.</b> Ensures that DOES identifies solutions that are technically feasible and cost effective and meet organizational business objectives.	Non-Monetary	TBD	Open
8	<b>Internal Control.</b> Ensures that DOES delivers projects on time and within budget, and ensures that projects meet end user expectations.	Non-Monetary	TBD	Open
9	<b>Economy and Efficiency.</b> Ensures that the enrichment training contracts are timely awarded so that SYP participants can be assigned to enrichment training programs prior to the start of the SYP and contractors are able to timely plan for their training programs.	Non-Monetary	TBD	Open
10	<b>Economy and Efficiency.</b> Ensures that DOES will not unnecessarily spend funds to hire a vendor to perform essentially the same tasks and responsibilities as DOES staff.	Monetary \$200,000	TBD	Open
11	<b>Economy and Efficiency.</b> Ensures that the contract terms in the enrichment training contracts are beneficial to the District.	Monetary \$8.8 million	TBD	Open
12	<b>Economy and Efficiency.</b> Prevents the enrichment training contractors from being unjustly enriched.	Monetary \$324,000	TBD	Open

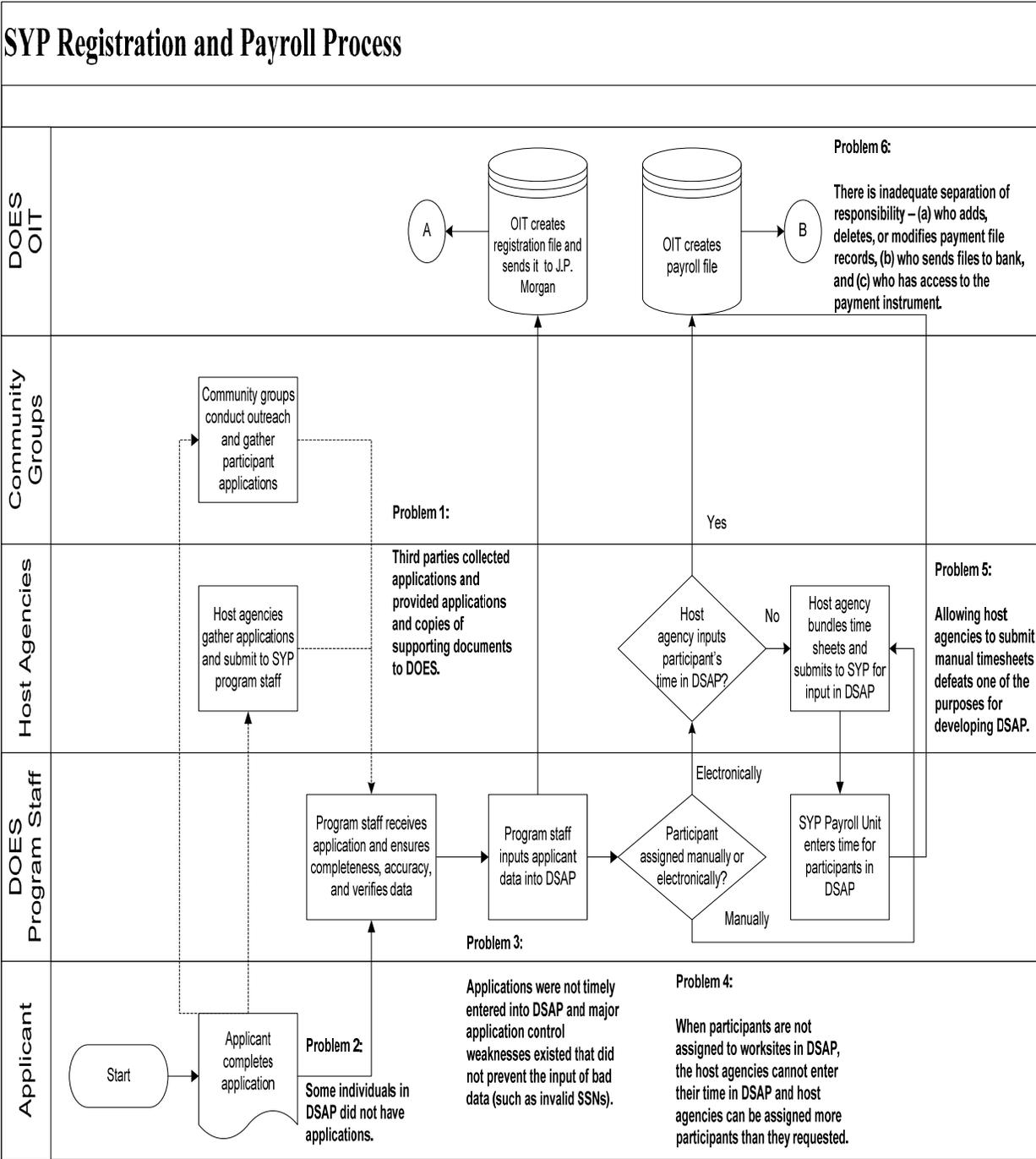
**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS  
RESULTING FROM AUDIT**

<b>Recommendation</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date</b>	<b>Status<sup>76</sup></b>
13	<b>Internal Control.</b> Ensures that DOES captures the necessary information to report on the performance measures and operations of the SYP.	Non-Monetary	TBD	Open
14	<b>Internal Control.</b> Ensures that SYP participants are eligible to participate in the SYP and prevents ineligible youth from exploiting the SYP.	Monetary Undeterminable	TBD	Open
15	<b>Internal Control.</b> Ensures that applications are maintained for a defined period of time to allow program staff to recreate data if necessary.	Non-Monetary	TBD	Open
16	<b>Internal Control.</b> Ensures that SYP registrants provide authentic documents to establish their eligibility to participate in the SYP and ensures that only eligible youth are allowed to participate in the SYP.	Monetary Undeterminable	TBD	Open
17	<b>Internal Control.</b> Ensures that DYRS youth are eligible to participate in the SYP and ensures that DYRS staff follow adequate procedures for establishing eligibility for DYRS youth.	Monetary Undeterminable	TBD	Open

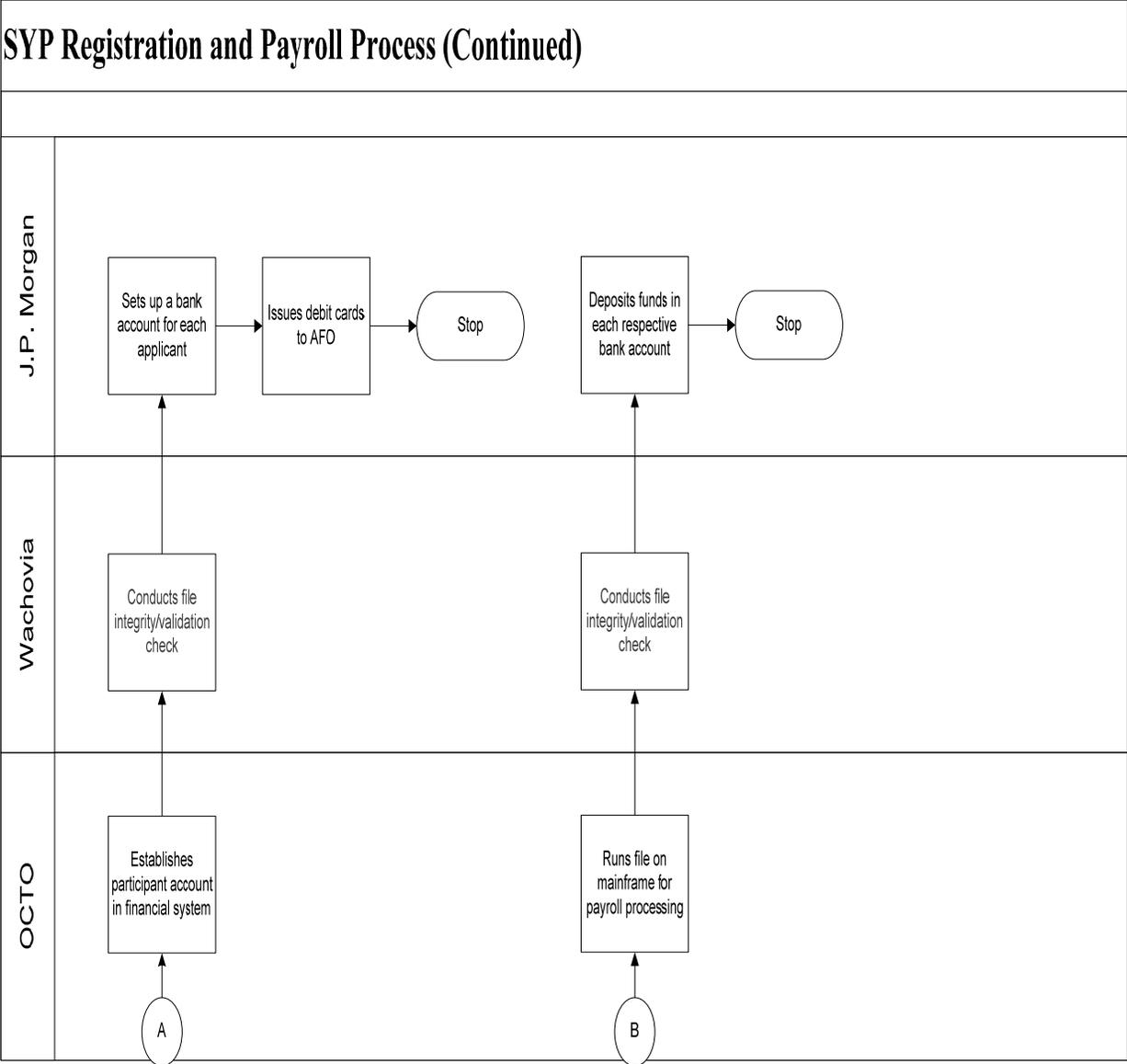
**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS  
RESULTING FROM AUDIT**

<b>Recommendation</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date</b>	<b>Status<sup>76</sup></b>
18	<b>Internal Control.</b> Ensures that DYRS and DCPS youth are not allowed to participate in the SYP prior to having their eligibility verified and prevents DOES from incurring costs for ineligible youth.	Monetary Undeterminable	TBD	Open
19	<b>Compliance.</b> Ensures that the financial institution that opens accounts for the SYP participants adheres to the CIP requirements in 31 CFR § 103.121.	Non-Monetary	TBD	Open
20	<b>Internal Control.</b> Ensures that host agencies are able to input their participants' time in the online timekeeping system.	Non-Monetary	TBD	Open
21	<b>Internal Control.</b> Ensures that program guidelines are adhered to and ineligible youth are not allowed to participate in the SYP.	Monetary Undeterminable	TBD	Open
22	<b>Economy and Efficiency.</b> Reduces debit card exposure to risk of loss.	Monetary Undeterminable	TBD	Open
23	<b>Economy and Efficiency.</b> Reduces the risk that non-SYP participants will be unjustly enriched.	Monetary Undeterminable	TBD	Open
24	<b>Compliance.</b> Ensures that the District's interest is adequately protected by requiring all contract modifications to be established in writing.	Non-Monetary	TBD	Open

**EXHIBIT B. FLOWCHART OF THE REGISTRATION PROCESS**



**EXHIBIT B. FLOWCHART OF THE REGISTRATION PROCESS**



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## EXHIBIT C. MANAGEMENT RESPONSE TO DRAFT AUDIT REPORT

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
Department of Employment Services

ADRIAN M. FENTY  
MAYOR



JOSEPH P. WALSH  
DIRECTOR

June 16, 2009

Charles J. Willoughby  
DC Inspector General  
Office of the Inspector General  
717 14th Street, NW, Fifth Floor  
Washington, DC 20005

Dear Mr. Willoughby:

Thank you for the opportunity to meet with you and your team for the final of a series of comprehensive and highly professional briefings provided to DOES throughout your audit of the Summer Youth Employment Program of 2008. Your extensive review of the issues during the 2008 Summer Youth Employment Program (SYEP) and identification of possible solutions helped to shape our planning for the 2009 SYEP. Your work identifying critical issues directly helped us make improvements to the program for 2009 and beyond, and I wish to thank you and your team for all their hard work.

DOES plans to respond to each one of your findings and recommendations as per the recommendations of your Office, and to continue to work with your Office to correct identified inefficiencies to improve SYEP this year and in future years. There are a number of corrective actions already taken and planned for SYEP 2009 that I would like to highlight to you at this time as your audit concludes.

- SYEP 2009 implemented an early registration deadline of May 1<sup>st</sup>. This deadline created fixed number of participants for the program year, and afforded the Office of Youth Programs (OYP) the ability to effectively assign youth to their job sites and ensure that proper payroll planning can take place and allows OYP to focus on ensuring quality work experiences for youth. This change was one recommended by your report.
- This year, the Administration and DOES secured the job positions needed to employ youth from the private sector, District government agencies, community based organizations, public charter schools, the federal government, including the White House, and the District of Columbia public schools. The Mayor's Conservation Corps and the Mayor's Green Summer program also created thousands of these jobs for District youth. The overwhelming majority of these jobs are secured weeks prior to the start of the program.

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## EXHIBIT C. MANAGEMENT RESPONSE TO DRAFT AUDIT REPORT

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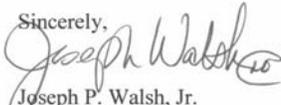
- And mindful of the fact that last year nearly \$11 million in contracts were awarded, we sought to dramatically limit that this year. While many of these providers offer exceptional programs to youth, we needed to limit the costs to the District caused by the use of these contracted providers. Therefore, we did not issue awards to any of the vendors who applied to the 2009 RFP, reducing the total costs of funding to community based organizations from \$10.8 million to less than \$2 million.
- Another significant new item for 2009 is the establishment of our tested and comprehensive management information system (MIS). Our MIS system was designed from the beginning to limit fraud and check that only those who were eligible to participate would be assigned jobs. The system allows the SYEP application process to be entirely on-line, thus eliminating the problem with paper applications and adding a strong level of security and tracking. Participants register on-line and receive email communication from OYP. OYP staff certifies youth eligibility through this same robust MIS system which verifies the youth's age, social security number, residency, and permission to work requirements through a series of database matches and live in-person "certification events."

In an effort to further improve the integrity of the system and its data, access to the system is restrictive and extremely limited. The common approved user only has viewing rights to limited components of the records. This MIS system and the strict data processes and controls assigned to this system ensure data integrity to prevent major data deficiencies.

- To improve the debit card and payroll process for 2009, and to ensure that those who do not work do not get paid while those who do work are paid their accurate wages, the District contracted with ADP, a world-known, high-performing payroll and human resources company. They have produced a Time-and-Attendance system and will follow payroll policies and procedures. As recommended in your draft report, debit cards will be mailed to participant homes to provide reasonable assurances that the intended recipients received their debit cards.
- The final action I'd like to point out at this time is the creation of an Anti-Fraud Unit for SYEP. This Unit is separate and distinct from the SYEP monitors and the Participant Service Specialists who will visit each host worksite to ensure that program policies and procedures are followed. The Anti-Fraud Unit, lead by two of DOES's divisions with a long history of anti-fraud investigatory work – the Labor Standards Bureau and the Unemployment Compensation program – will make announced and unannounced visits to host sites and SYEP offices to validate registration information and investigate any reports of fraud, waste, or abuse.

Of course, these changes address the basics of the operation and service delivery of the SYEP. Just as important to me are the changes we have made to improve the quality of the experience of all youths who participate in SYEP. This summer, we will focus intensely on ensuring that youth participants have quality work experiences at their host worksites. And for future years, we will build on this and track the progress of youth to build a more successful, high quality, program each year.

Again, thank you for your comprehensive audit of last year's program. We look forward to a successful 2009 Summer Youth Employment Program.

Sincerely,  
  
Joseph P. Walsh, Jr.