

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

**AUDIT OF THE OFFICE OF THE  
CHIEF FINANCIAL OFFICER'S  
IMPLEMENTATION OF RECOMMENDATIONS  
CONTAINED IN THE WILMER CUTLER  
PICKERING HALE AND DORR LLP  
REPORT OF INVESTIGATION**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



December 9, 2009

Natwar M. Gandhi, Ph. D.  
Chief Financial Officer  
Office of the Chief Financial Officer (OCFO)  
John A. Wilson Building  
1350 Pennsylvania Avenue NW, Suite 203  
Washington, DC 20004

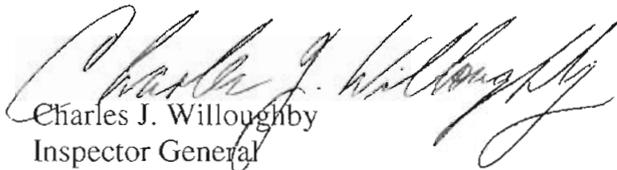
Dear Dr. Gandhi:

Enclosed is our final report summarizing the Office of the Inspector General's (OIG) *Audit of the Office of the Chief Financial Officer's Implementation of Recommendations Contained in the Wilmer Cutler Pickering Hale and Dorr LLP Report of Investigation* (OIG No. 09-02-11AT). The law firm of Wilmer Cutler Pickering Hale and Dorr LLP performed an investigation of the circumstances surrounding the embezzlement of funds at the Office of Tax and Revenue. The investigation was performed at the request of the Council of the District of Columbia's Office of the Tax and Revenue Investigation Special Committee.

As a result of our audit, we directed one recommendation to the Chief Financial Officer, Office of the Chief Financial Officer (OCFO). The OCFO provided a written response to a draft of this report on October 14, 2009. We reviewed the response and consider actions taken and planned by the OCFO to be responsive and meet the intent of our recommendation. The full text of the OCFO response is included at Exhibit B.

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/ws

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**AUDIT OF THE OFFICE OF THE CHIEF FINANCIAL OFFICER'S  
IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN  
THE WILMER CUTLER PICKERING HALE AND DORR LLP  
REPORT OF INVESTIGATION**

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**ACRONYMS/ABBREVIATIONS**

<b>CAFR</b>	Comprehensive Annual Financial Report
<b>CFO</b>	Chief Financial Officer
<b>CPA</b>	Certified Public Accountant
<b>DCORM</b>	District of Columbia Office of Risk Management
<b>GAO</b>	Government Accountability Office
<b>IT</b>	Information Technology
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OIG</b>	Office of the Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OTR</b>	Office of Tax and Revenue
<b>RPTA</b>	Real Property Tax Administration
<b>SOX</b>	Sarbannes-Oxley Act

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**AUDIT OF THE OFFICE OF THE CHIEF FINANCIAL OFFICER'S  
IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN  
THE WILMER CUTLER PICKERING HALE AND DORR LLP  
REPORT OF INVESTIGATION**

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## **EXECUTIVE DIGEST**

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### **OVERVIEW**

This report summarizes the results of the Office of the Inspector General's (OIG) follow-up *Audit on the Office of the Chief Financial Officer's Implementation of Recommendations Contained in the Wilmer Cutler Pickering Hale and Dorr LLP (Wilmer Hale) Report of Investigation* (OIG No. 09-2-11AT). At the request of the D. C. Council, the Wilmer Hale law firm performed a review of the facts and circumstances surrounding the embezzlement of over \$48 million in funds at the Office of Tax and Revenue (OTR). At a hearing on the District's Comprehensive Annual Financial Report (CAFR) for fiscal year 2008, the Council Committee of the Whole requested that the OIG conduct a review of the Office of the Chief Financial Officer's (OCFO) implementation of recommendations made in the Wilmer Hale Report (Report).

The overall objective of the audit was to determine whether the OCFO implemented recommendations made in the Report. The audit included a review and evaluation of 62 of 94 recommendations made to the OCFO in the Wilmer Hale Report.

### **CONCLUSIONS**

This report contains two findings. Finding 1 details control weaknesses and deficiencies surrounding OCFO's management and process for resolving recommendations made in the Report. As a result of the deficiencies noted in Finding 1, we advised OCFO executive management of the breakdowns in managing the process for addressing recommendations contained in the Report and provided them with additional time to provide us with their official responses to the recommendations. Subsequently, we were able to evaluate OCFO's responsiveness and management actions taken to address recommendations contained in the Report. Finding 2 states that overall OCFO's management actions were responsive to 60 of the 62 (97 percent) recommendations we reviewed. Only two of the management actions we reviewed did not meet the intent of the recommendations.

### **RECOMMENDATIONS**

This report contains one recommendation directed to the Chief Financial Officer, to develop a formal, structured process for managing and resolving findings and recommendations directed to the CFO that may be made in subsequent audit reports.

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

## **EXECUTIVE DIGEST**

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### **MANAGEMENT RESPONSE AND OIG COMMENTS**

The OCFO provided a written response to a draft of this report on October 14, 2009. The OCFO fully agreed to the OIG recommendation to develop a formal process to ensure that 100 percent of the recommendations are timely and appropriately implemented. The OCFO further stated that work is ongoing to develop and implement a system of internal controls and work processes that are consistent with OMB Circulars A-123 and A-50.

We reviewed the response and consider actions taken or planned by the OCFO to be responsive and meet the intent of our recommendation. The full text of the OCFO response is included at Exhibit B.

## INTRODUCTION

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### BACKGROUND

In November 2007, an OCFO career employee and mid-level manager of the Office of Tax and Revenue (OTR), Real Property Tax Administration (RPTA) was arrested on federal charges related to the theft of over \$48 million in District funds. It was reported that the employee perpetrated a nearly 2 decade long embezzlement scheme in which she prepared and processed fraudulent real property tax refunds and arranged for those refunds to be deposited in bank accounts controlled by her, her family, and friends.

In December 2007, the Council of the District of Columbia (Council) established the OTR Investigation Special Committee (Special Committee) to examine the facts and circumstances surrounding the embezzlement and to make recommendations to prevent a recurrence. Subsequently, the Special Committee retained the law firm of Wilmer Cutler Pickering Hale and Dorr LLP (Wilmer Hale) to conduct this review. Wilmer Hale retained an accounting firm, PricewaterhouseCoopers LLP, to provide forensic and information technology (IT) services in connection with the review.

Around December 2008, Wilmer Hale submitted the Report of Investigation (the Report) to the Council and Chief Financial Officer (CFO). In subsequent testimony before the U.S. Senate and Council, the CFO stated that the Office of the Chief Financial Officer (OCFO) had taken corrective actions on a majority of the recommendations made in the Report. On February 6, 2009, the Council requested that the Office of the Inspector General (OIG) perform a follow-up audit to determine what corrective actions the OCFO had taken in response to recommendations made in the Report. Additionally, Congressional representatives requested that our Office provide them with the results of our review.

Our review of the Report showed that it contained 38 major recommendations. The 38 major recommendations had subordinate recommendations, bringing the total number of recommendations to 94. Recommendations were addressed principally to the OCFO, with two recommendations addressed to other District government entities. The Report classified recommendations into three major categories: Controls, Systems, and Workplace Environment. The recommendations had overarching implications for the OCFO and specific OCFO divisions.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objective of the audit was to determine whether OCFO implemented the recommendations detailed in the Report. To accomplish our objectives, we reviewed the Report, determining that 94 recommendations were addressed to the OCFO. Subsequently, we sought to reconcile our listing of recommendations with those identified by the OCFO to determine the baseline and universe of recommendations we would review. However, at the inception of our audit, the CFO had not established an “official” recommendation list.

## INTRODUCTION

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Subsequent to this determination, we met with OCFO executive management to detail our preliminary observations and allow them additional time to provide us with their official responses to the deficiencies contained in the Report. The CFO accepted the 94 recommendations that we indentified and provided us with: (1) a list of recommendations; (2) CFO management responses; (3) the names of CFO officials responsible for implementing the recommendations; and (4) either documentation or comments to support the management responses. We reviewed 62 of the 94 recommendations and evaluated the official management responses to determine whether the management responses met the intent of the recommendations and whether the OCFO provided adequate documentation to support its assertions. We also verified the status of OCFO's implementation efforts. We conducted interviews with OCFO division managers and staff and examined other documentation relative to the findings and recommendations contained in the Report.

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 that provides 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 REVIEW

On March 12, 2009, our Office issued the *Audit of District Agencies' Implementation of Audit Recommendations*, OIG No. 08-1-03MA. The audit determined that the District had not adequately established a system to manage audit follow-up and audit resolution. Additionally, this audit found that the District of Columbia Office of Risk Management (DCORM) did not have controls in place to ensure compliance with established criteria governing follow-up activities and lacked adequate administrative controls to track and manage the resolution of findings and recommendations. As a result of these findings, the OIG recommended that the Director, DCORM:

1. Work collaboratively with the City Administrator to issue District-wide guidance requiring agency heads and management officials to establish, assess, correct, and report on internal controls related to their audit follow-up systems. Such systems should: (a) ensure the prompt and proper resolution and implementation of audit recommendations from various sources; and (b) provide for complete records of actions taken on both monetary and non-monetary findings and recommendations. Additionally, the guidance could be patterned after the Federal Managers Financial Integrity Act, U.S. Office of Management and Budget (OMB) Circular No. A-50, and the Federal Claims Collection Standards.

## INTRODUCTION

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2. Implement a comprehensive Web-based database system to accurately and completely track recommendations directed to the District agencies and to facilitate the timely resolution of outstanding recommendations from various sources including the OIG, D.C. Auditor, Government Accountability Office (GAO), federal inspectors general, and external auditors.

DCORM management agreed with our findings and recommendations and indicated that they had already taken corrective actions to address many of the deficiencies noted in the report.

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## FINDINGS AND RECOMMENDATION

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<p><b>FINDING 1. COORDINATING MANAGEMENT ACTIONS ON THE WILMER HALE REPORT RECOMMENDATIONS</b></p>
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### SYNOPSIS

Prior to our audit, the CFO did not formally develop and implement either a plan or organizational structure to directly address the findings and recommendations contained in the Report. This condition occurred because OCFO management assumed that their efforts to correct internal control deficiencies cited in other audit reports and their efforts to become compliant with the Sarbanes Oxley Act (SOX) and OMB Circular A-123 would suffice to address the findings and recommendations contained in the Report. As a result, some CFO managers charged with taking corrective actions did not have the Report, did not know what recommendations were contained in the Report, and could not effectively reconcile the parallel corrective actions taken on the CFO current internal control efforts with recommendations made in the Report. This situation further delayed and complicated our audit activities. Consequently, at the onset of our audit, the lack of a plan or structure for resolving recommendations contained in the Report impeded our efforts to effectively evaluate the OCFO's corrective actions taken or planned for each of the recommendations made in the Report.

### DISCUSSION

The OCFO did not have any procedures for responding to findings and resolving recommendations included in reports from various sources. OMB Circulars A-123 and A-50 provide guidance for federal agencies on audit follow-up and, while not applicable to the District, provide excellent criteria that the District can utilize. Thus, the CFO should consider modeling its audit follow-up and resolution systems in accordance with OMB Circulars A-123 and A-50. The OCFO has retained a consultant to assist it in becoming OMB Circular A-123 compliant. However, during the course of our audit, this guidance had not been developed. Pertinent segments of OMB Circulars A-123 and A-50 are summarized below.

- **OMB Circular A-123.** OMB Circular A-123, Management's Responsibility for Internal Control, Section V, Correcting Internal Control Deficiencies, provides that agency managers are responsible for formally and timely responding to and correcting deficiencies identified in various informational sources. Specifically, OMB Circular A-123 requires that agency management establish accountability for resolving findings and recommendations, track the corrective actions, formally develop corrective action plans, timely implement corrective actions, and review and test corrective actions.

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## FINDINGS AND RECOMMENDATION

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- **OMB Circular A-50.** OMB Circular A-50, Audit Follow-up, provides that audit follow-up is essential to good management and corrective action implementation is essential for improving government operations. OMB Circular A-50 requires that agency management evaluate findings and recommendations and determine whether they agree or disagree with the findings, provide reasons for evaluation determinations, and document corrective actions. Specifically, OMB Circular A-50 provides, *inter alia*, that executive management is responsible for the following:
  - designating a senior management official to oversee audit follow-up, resolution, and corrective actions;
  - assuring communications with agency management officials on the value of the audit process;
  - receiving and evaluating audit reports;
  - providing timely responses; and
  - developing an audit finding and recommendation follow-up system.
- **District of Columbia Statutory Guidance.** D.C. Code § 2003-35, entitled Reorganization Plan No. 1 of 2003, requires DCORM to develop a system for managing the resolution of audit findings and recommendations from various sources.

We believe that the District and the OCFO should develop and adopt standards similar to those provided by OMB Circulars A-123 and A-50. The following paragraphs detail OCFO's deficiencies in resolving the findings and recommendations contained in the Report.

**Management of Corrective Actions.** The OCFO received the Report in late December 2008 or early January 2009, approximately 2 months prior to the start of our follow-up audit. At the time we initiated the audit, OCFO executive management had not: (1) formally identified and assigned an OCFO manager or project manager the task of ensuring that all recommendations made in the Report were adequately addressed; (2) evaluated findings and recommendations made in the Report; (3) developed a corrective action plan; (4) formally delegated the resolution of recommendations to functional managers; and (5) tracked, verified, and approved all proposed corrective actions.

We were advised that OCFO management believed that it was more important to address the following: (1) issues contained in the Kroll Commission Report on the OCFO's Office of Tax and Revenue – Real Property Tax Refund Process, dated March 5, 2008; (2) BDO Seidman Independent Auditors' Reports on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for Years Ended September 30, 2007, and September 30, 2008, issued March 31, 2008, and January 30, 2009, respectively; and

## FINDINGS AND RECOMMENDATION

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(3) bringing the OCFO into SOX and OMB Circular A-123 compliance. To address the internal control issues contained in these reports, the OCFO hired Deloitte and Touche (a CPA firm) to conduct an expansive review of OCFO's internal control policies in addition to efforts to bring about SOX and OMB A-123 compliance. The OCFO assumed that the internal control reviews undertaken by the CPA firm would suffice to address the issues contained in the Report and did not formally document the correlation of its internal control activities to findings and recommendations contained in the Report. As such, CFO management had no assurance that their internal control activities were responsive to findings and recommendations contained in the Report. For example, there was no comprehensive list of recommendations showing what should be done, by whom, and when. A comprehensive list of recommendations was not developed until after our audit began and that list was prepared by the OIG.

Identifying and Evaluating Recommendations. The CFO did not formally identify and evaluate the findings and recommendations contained in the Report or develop a comprehensive and consolidated corrective action plan until after the inception of our audit. The CFO used the recommendations list that the OIG developed as its "official" list.

To obtain agreement with CFO management on the universe of recommendations contained in the Report, we sought to reconcile with CFO management the recommendations we identified in the Report. Additionally, we sought to identify management officials responsible for implementation activities and obtain documentation to support CFO management's corrective actions. Initially, a budget officer provided us with a list of recommendations from the Report as well as recommendations from other reports. The list was not a corrective action plan, but merely a list of recommendations.

The budget officer's list displayed the recommendations; the corresponding responsible divisions; and the status of corrective actions; and implementation, and comments. When we showed the division directors the budget officer's recommendations list, one director stated that he did not have the recommendations list, had no idea of what we were referring to, and that he would have to talk to the budget officer to find out about the recommendations directed to his division. Another division director stated that he obtained the Report and went through it himself and extracted the language and recommendations that he believed to be his responsibility. Several division directors did not have any list of recommendations made in the Report. Other division directors stated that they could not remember exactly how they got the Report.

Based on our preliminary audit observations, we met with CFO executive management on April 14, 2009, to discuss these observations and provide OCFO's executive management with an opportunity to respond to the findings and recommendations made in the Report. As a result of this meeting, CFO executive management rescinded the budget officer's list and requested 1 week to complete additional documentation to demonstrate how they had addressed the recommendations contained in the Report.

## FINDINGS AND RECOMMENDATION

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On April 15, 2009, we met with Deloitte and Touche. Representatives from the CPA firm informed us that OCFO executive management approached them on how the CFO should address the OIG's concerns. The contractor representatives stated that OCFO executive management should identify the recommendations in the Report, provide management comments, and provide references and documentation to support management assertions.

On April 23, 2009, the OCFO provided us with a list that identified the recommendations, the responsible OCFO officials, OCFO's management response, status of corrective actions, and a binder of reference documentation. OCFO executive management accepted all the recommendations that were contained on our recommendations list and informed us that they were working on corrective actions.

OCFO's "official" list was a direct result of our inquiry and meeting with OCFO executive management. The OCFO had not developed an "official" list prior to our audit. Given the sensitivity of the subject matter, a massive fraud, and the high level of interest from Congressional and District officials, it was reasonable to expect that OCFO management had thoroughly evaluated the recommendations in the Report and determined the recommendations that it accepted and those which it rejected within 2 months of receiving the Report. An agency cannot manage the process for implementing corrective actions or provide corrective actions to specific recommendations if the agency has not first identified the recommendations, evaluated the appropriateness of each recommendation, and identified actions needed to correct the deficiencies.

Assigning Responsibility for Management Actions. At the onset of our audit, we could not identify one OCFO manager or project manager who was formally given the responsibility for ensuring that all the recommendations made in the Report were resolved.

When we asked the OCFO staff who was responsible for ensuring that recommendations made in the Report were resolved, several OCFO division directors and managers stated that the budget officer was responsible for coordinating OCFO management's corrective actions pertaining to the Report. However, none of the division directors could explain how the budget officer came to have this responsibility. Other division directors informed us that they were not accountable to the budget officer and that she had no authority over them. The budget officer stated that she was not formally assigned the task of ensuring that the recommendations were implemented adequately, but was asked by OTR management to compose the recommendation list and update the status of divisional corrective actions. Unofficially, the budget officer had been trying to coordinate and track some of the corrective actions undertaken by several division directors.

At our April 14, 2009, meeting, OCFO executive management stated that the budget officer had no authority over the Report implementation activities. It became evident to us

## FINDINGS AND RECOMMENDATION

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that the OCFO had neither established a structure to ensure that the recommendations and findings contained in the Report were managed to obtain and monitor corrective actions, nor appointed a person with overall authority and responsibility to ensure resolution for each of the recommendations.

By following rules similar to those provided by OMB guidance, the OCFO could have established a responsible manager with the appropriate level of authority who would take measures to develop a cohesive, controllable, and formal process for managing corrective actions. These measures would consist of: (1) planning and communicating how the recommendations would be executed by the functional managers; (2) establishing a process for coordinating and consolidating all corrective actions; and (3) developing a process for verifying and evaluating corrective actions.

Assigning Responsibility to Divisional Managers. We met with division directors and managers that the budget officer's list identified as having responsibility for resolving recommendations and providing corrective actions. We found that division directors had not formally been assigned the task of resolving the findings and recommendations contained in the Report. As a result, division directors were taking corrective actions independently of other divisions also listed as having responsibility to provide corrective actions for the same recommendation. Upon analysis, it became apparent that many actions provided as resolutions for particular recommendations were only part of the solution for a specific recommendation. Consequently, the corrective actions did not represent a cohesive, collective, and collaborative effort from CFO executive management.

Additionally, certain division directors felt that some of the recommendations that the budget officer's list identified for them were not appropriate for them. Several division directors and managers stated that they should not have been designated on the budget officer's list as the lead or having to provide input into several recommendations because they had no responsibility over the issue. For example, the budget officer's list provides that a particular division director should "[s]trengthen fraud investigation programs, and take corrective action to ensure potential fraud is addressed appropriately and in a timely manner." One division director stated that he did not feel that he should be the lead or have any input into this recommendation because he is familiar with information technology, not fraud. However, he stated that he would assist appropriate officials with investigating any incidents of suspected fraud. Another division director stated that he did not use the budget officer's list because she had no authority over him and could not attribute or assign responsibility to him for corrective actions for specific recommendations.<sup>1</sup>

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<sup>1</sup> On the CFO April 23, 2009, list, OCFO executive management designated officials responsible for implementing corrective actions for corresponding recommendations.

## FINDINGS AND RECOMMENDATION

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The failure to assign responsibility for the Report's recommendations occurred because, after receipt of the Report, CFO executive management did not formally evaluate the findings and recommendations, develop a corrective action plan, and assign recommendations to the appropriate officials. Assigning corrective actions to the appropriate managers should have been an integral part of the OCFO's overall plan to manage the implementation of recommendations.

Corrective Action Verification. The OCFO had not identified a mechanism for assessing whether corrective actions taken by responsible division managers were appropriate for the recommendations. At the onset of our audit, the budget officer stated that some divisions reported updates to her every 2 weeks; however, she was not responsible for verifying that the corrective actions taken by the divisional managers were appropriate. We observed that not all division managers having responsibility for resolving recommendations reported to the budget officer. Additionally, we noted inconsistencies in how and when some division directors reported their status. After our April 14, 2009, meeting with OCFO executives, OCFO still had not developed a mechanism for tracking the implementation and verification of corrective actions regarding the Report.

### RECOMMENDATION

We recommend that the Chief Financial Officer:

1. Develop a formal, appropriate, structured process, in line with guidance from OMB Circulars A-123 and A-50, to ensure that recommendations made to the OCFO are successfully implemented. The process should include the following:
  - a. Designating an executive or manager accountable for managing the process for resolving recommendations made to the OCFO;
  - b. Evaluating findings and recommendations, and designating divisional managers responsible for each recommendation;
  - c. Developing a corrective action plan;
  - d. Evaluating corrective actions and making adjustments to corrective action plans as required;
  - e. Developing a mechanism for tracking the status of implementing corrective actions; and
  - f. Communicating the status of corrective actions and resolution of recommendations to the appropriate levels of management.

## **FINDINGS AND RECOMMENDATION**

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### **MANAGEMENT COMMENTS AND OIG RESPONSE**

The OCFO provided a written response to a draft of this report on October 14, 2009. The OCFO fully agreed to the OIG recommendation to develop a formal process to ensure that 100 percent of the recommendations are timely and appropriately implemented. The OCFO further stated that work is ongoing to develop and implement a system of internal controls and work processes that are consistent with OMB Circulars A-123 and A-50.

We reviewed the response and consider actions taken or planned by the OCFO to be responsive and meet the intent of our recommendation. The full text of the OCFO response is included at Exhibit B.

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## FINDINGS AND RECOMMENDATION

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**FINDING 2. IMPLEMENTATION OF THE WILMER HALE  
REPORT RECOMMENDATIONS**

### SYNOPSIS

We reviewed 62 of 94 (66 percent) recommendations made in the Report. The OCFO’s management responses and activities met the intent of 60 of the recommendations. Further, of the 60 recommendations where OCFO’s management actions met the intent of the recommendations, OCFO’s implementation activities were ongoing for 46 and complete for 14 recommendations. Only two of the management responses we reviewed did not meet the intent of the respective recommendation.

### DISCUSSION

On April 23, 2009, OCFO executive management provided us with an “official” list indicating that they accepted all 94 recommendations that we derived from the Report. The OCFO executive management list detailed the recommendations, the implementation status, OCFO responsible official, and documentation references.

**OCFO Management Actions.** We reviewed 62 of the 94 (66 percent) recommendations. We found that in 60 of the 62 recommendations (97 percent), OCFO’s management actions met the intent of each recommendation. Of these 60 implemented recommendations, OCFO’s implementation activities were ongoing for 46 and complete for 14 recommendations (see table below). Only two of the management actions we reviewed did not meet the intent of the respective recommendation.

TABLE - OIG STATUS OF OCFO FOLLOW-UP REVIEW		
Management’s Response	Implementation Status	Recommendation Totals
Met the intent	Corrective Action In-Progress	46 <sup>2</sup>
	Corrective Action Complete	14
Did not meet intent	N/A	2
Not reviewed	N/A	32
<b>Totals</b>		<b>94</b>

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<sup>2</sup> We evaluated the documentation supporting 22 of the 46 recommendations where corrective actions were “In Progress.”

## FINDINGS AND RECOMMENDATION

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**In-Progress Implementation Status.** Our evaluation of OCFO's corrective actions and management responses was limited to our review of documentation. The documentation we reviewed was in varying stages of completion, such as draft or final. Our evaluation of 22 of the 46 recommendations where CFO follow-up activities met the intent and were in progress was limited to our evaluation of draft documentation developed by the CPA firm. CFO management was unable to tell us when these documents would be finalized. The Chairman of the Steering Committee on Internal Controls informed us that the CFO had no plans for finalizing these documents in the near future. Because draft documents are pre-decisional and subject to change, we concluded that OCFO's management actions were ongoing and not final.

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

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<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>3</sup></b>
1	<b>Internal Control.</b> Improves management accountability and responsibility to implement corrective actions to resolve internal control weaknesses.	Non-Monetary	October 14, 2009	Closed

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<sup>3</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.

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## EXHIBIT B. OFFICE OF THE CHIEF FINANCIAL OFFICER'S RESPONSE TO DRAFT REPORT

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Government of the District of Columbia  
Office of the Chief Financial Officer



2009 OCT 14 PM 3: 23

**Natwar M. Gandhi**  
Chief Financial Officer

October 14, 2009

Charles J. Willoughby  
Inspector General  
717 14<sup>th</sup> Street, N.W., 5<sup>th</sup> Floor  
Washington, DC 20005

Dear Mr. Willoughby

Thank you very much for the opportunity to respond formally to the report regarding the audit of the Office of the Inspector General (OIG) of the implementation by the Office of the Chief Financial Officer (OCFO) of the recommendations of the WilmerHale law firm relating to its investigation following the discovery of the tax fraud in November, 2007.

We are very pleased that the OIG concluded that the OCFO's management responses and activities met the intent of 60 (97%) of the 62 recommendations of the WilmerHale report. These recommendations have provided important and useful tools for the OCFO in the review and improvement of our internal controls and risk management.

We fully agree with the OIG recommendation of developing a formal process to ensure that 100% of the recommendations are timely and appropriately implemented. Indeed, since the discovery of the fraud in November 2007, we have worked both to respond to a wide range of recommendations, and to develop and implement a system of internal controls and work processes that are consistent with OMB Circular A-123 and A-50. We have done much towards achieving that goal, as confirmed by the 97% success rate documented by the OIG, and will continue this important work to assess and mitigate risks throughout our organization.

The OCFO is grateful for the assistance of the OIG in achieving our success in implementing the WilmerHale recommendations.

If you have any questions, please feel free to contact me at 202-727-2476.

Sincerely,

Natwar M. Gandhi  
Chief Financial Officer