

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

**BEFORE THE COUNCIL OF THE DISTRICT OF COLUMBIA  
COMMITTEE ON SMALL AND LOCAL BUSINESS DEVELOPMENT**

**PUBLIC OVERSIGHT ROUNDTABLE ON  
COMPLIANCE PERFORMANCE OF DISTRICT AGENCIES AND  
PUBLIC-PRIVATE PROJECTS IN THE UTILIZATION OF CERTIFIED  
SMALL BUSINESS ENTERPRISES AND CERTIFIED BUSINESS  
ENTERPRISES**

**OCTOBER 18, 2012**

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GOOD MORNING CHAIRPERSON ORANGE AND MEMBERS OF THE COMMITTEE. I AM CHARLES J. WILLOUGHBY, INSPECTOR GENERAL FOR THE DISTRICT OF COLUMBIA, AND I WELCOME THE OPPORTUNITY TO TESTIFY BEFORE YOU THIS MORNING REGARDING THE UTILIZATION OF CERTIFIED BUSINESS ENTERPRISES (CBEs) BY DISTRICT GOVERNMENT AGENCIES AND CONTRACTORS ENGAGED IN DISTRICT-RELATED ECONOMIC DEVELOPMENT PROJECTS. I WILL PROVIDE A PERSPECTIVE OF SOME OF THE SYSTEMIC PROBLEMS OUR AUDITS AND/OR REVIEWS HAVE IDENTIFIED AND THE RECOMMENDATIONS THAT THE OFFICE OF THE INSPECTOR GENERAL (OIG) HAS MADE TO IMPROVE ON AGENCIES' UTILIZATION OF CERTIFIED SMALL BUSINESS ENTERPRISES (CSBEs) AND CBEs. I WILL ALSO OUTLINE OUR PLANNED AUDIT ADDRESSING THE USE OF QUALIFIED CBEs. ACCOMPANYING ME TODAY IS RONALD W. KING, ASSISTANT INSPECTOR GENERAL FOR AUDITS.

AS YOU KNOW, THE DISTRICT DEPARTMENT OF SMALL AND LOCAL BUSINESS DEVELOPMENT (DSLBD) SUPPORTS THE ECONOMIC GROWTH, DEVELOPMENT, AND RETENTION OF DISTRICT-BASED BUSINESSES, AND PROMOTES ECONOMIC DEVELOPMENT THROUGHOUT THE DISTRICT'S COMMERCIAL DISTRICTS. DSLBD IS RESPONSIBLE FOR CERTIFYING BUSINESSES AND ADMINISTRATION OF THE CBE PROGRAM. THE CBE PROGRAM PROVIDES CONTRACTING PREFERENCES FOR LOCAL BUSINESSES, THEREBY INCREASING THEIR COMPETITIVENESS FOR DISTRICT GOVERNMENT CONTRACTING AND PROCUREMENT OPPORTUNITIES.

BECAUSE THE OFFICE OF CONTRACTING AND PROCUREMENT (OCP) ACQUIRES GOODS AND SERVICES ON BEHALF OF DISTRICT AGENCIES, OCP PARTNERS WITH DSLBD TO ENSURE THAT THE CBE PROGRAM PROVIDES CONTRACTING PREFERENCES FOR CBEs. THE DISTRICT GOVERNMENT IS ONE OF THE LARGEST PURCHASERS OF GOODS AND SERVICES IN THE METROPOLITAN AREA, AND, DUE TO ONGOING ECONOMIC CHALLENGES THE DISTRICT IS CURRENTLY FACING WITH RESPECT TO DECREASING REVENUES AND INCREASING SERVICE NEEDS; THE OIG BELIEVES IT IS IMPERATIVE THAT THE DISTRICT ATTEMPT TO RETAIN AS MUCH SPENDING AS POSSIBLE WITHIN THE DISTRICT THROUGH UTILIZING CBSEs AND CBEs.

## **OIG FINDINGS REGARDING USE OF CBE PROGRAM**

THE OIG'S OVERALL STRATEGY TO ADDRESS THE PERFORMANCE AND UTILIZATION OF CBEs BY DISTRICT AGENCIES IS VERY IMPORTANT IN LIGHT OF THE OFFICE'S MISSION TO PROMOTE ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE PROGRAMS AND OPERATIONS OF THE DISTRICT OF COLUMBIA GOVERNMENT.

AS PART OF EVERY PROCUREMENT AUDIT THAT THE OIG PERFORMS, WE SEEK TO DETERMINE WHETHER AGENCIES COMPLY WITH MANDATES GOVERNING THE SET-ASIDE FOR SMALL BUSINESS ENTERPRISES CONTRACTING OPPORTUNITIES. IN A SEPTEMBER 2010, AUDIT OF CONTRACTING ACTIONS AT THE OFFICE OF THE CHIEF TECHNOLOGY OFFICER (OCTO), THE OIG DETERMINED THAT OCP DID NOT ROTATE OR UTILIZE CBEs AS REQUIRED IN FISCAL YEARS (FY) 2006-2008.

### **ROTATION OPPORTUNITIES AMONG CBEs**

SPECIFICALLY, OCP DID NOT ROTATE OPPORTUNITIES AMONG DISTRICT OF COLUMBIA SUPPLY SCHEDULE (DCSS) INFORMATION TECHNOLOGY (IT) CONTRACTORS IN ACCORDANCE WITH THE GOAL OF THE PROGRAM TO EXPAND OPPORTUNITIES FOR CBEs. THIS OCCURRED BECAUSE OCP DID NOT SET STANDARDS OR TARGETS FOR UTILIZATION OF CBEs, IMPLEMENT AN

AUTOMATED MANAGEMENT INFORMATION SYSTEM (MIS) TO COLLECT AND REPORT DCSS ACTIVITY, AND ISSUE FORMAL GUIDANCE FOR THE IMPLEMENTATION AND ADMINISTRATION OF THE DCSS PROGRAM. IN THE ABSENCE OF STANDARDS, CLEAR GUIDANCE, AND TARGETS, MANAGEMENT DID NOT HAVE A DEFINED METHOD TO MEASURE PERFORMANCE, AND ENSURE COMPLIANCE WITH THE GOALS OF THE CBE PROGRAM. ACCORDINGLY, WE RECOMMENDED THAT OCP ESTABLISH TARGETS, STANDARDS, AND GOALS FOR SOLICITING AND AWARDED CONTRACTS TO CBEs AND MONITOR PERFORMANCE ONCE ESTABLISHED.

#### UTILIZATION OF CBEs

IN ADDITION, THE OIG FOUND THAT OCP DID NOT MAXIMIZE THE UTILIZATION OF CBEs IN ACCORDANCE WITH THE OBJECTIVES OF APPLICABLE LAW AND AS IDENTIFIED BY ONE OF THE OCP MANAGEMENT GOALS FOR THE DCSS PROGRAM. MAXIMUM UTILIZATION OF CBEs THROUGH EXISTING DCSS CONTRACTS DID NOT OCCUR BECAUSE OCP DID NOT FOLLOW THE PRIORITIES FOR PROVIDING GOODS AND SERVICES THROUGH THE USE OF GOVERNMENT SUPPLY SOURCES AS SET FORTH IN 27 DCMR § 2100, AND THROUGH THE USE OF EXISTING TERM CONTRACTS AND FEDERAL SUPPLY SCHEDULES AS SET FORTH IN 27 DCMR § 2103. WE RECOMMENDED, AMONG OTHER THINGS, THAT OCP DEVELOP AN AUTOMATED MIS TO COLLECT AND REPORT CONTRACTING INFORMATION ON THE UTILIZATION OF CBEs. THE MIS SHOULD ALSO PROVIDE

MANAGEMENT WITH REPORTS ON THE AWARD OF TASK ORDERS AND AWARD TYPE (I.E., SOLE SOURCE OR COMPETITIVE AWARD).

**CONDITIONS FOUND WITHIN DSLBD**

ON AUGUST 8, 2008, THE OIG ISSUED A REPORT ENTITLED, AUDIT OF OPERATIONS WITHIN THE DEPARTMENT OF SMALL AND LOCAL BUSINESS DEVELOPMENT. THE AUDIT FOUND THAT THE DSLBD DID NOT HAVE STANDARD OPERATING PROCEDURES TO ENSURE CONSISTENCY AMONG STAFF WHEN ASSISTING CBE APPLICANTS IN PROVIDING REQUIREMENTS NECESSARY TO OBTAIN CERTIFICATION, AND THAT STAFF DUTIES AND RESPONSIBILITIES WERE NOT ADEQUATELY DEFINED. WE ALSO DETERMINED THAT THE CBE ONLINE INFORMATION SYSTEM DID NOT CAPTURE AND/OR PROVIDE ADEQUATE INFORMATION THAT IS RELEVANT TO PROVIDING SUPPORT OF CBEs.

IN PART, THESE CONDITIONS OCCURRED BECAUSE THE DSLBD HAD INADEQUATE SUPPORT FROM OTHER AGENCIES, SUCH AS OCTO (CBE ONLINE SYSTEM), OCP (SUBCONTRACTING PLANS), AND THE OFFICE OF THE ATTORNEY GENERAL (OAG) (REVIEW OF DENIED APPLICANTS). IN ADDITION, DSLBD MAY NOT HAVE HAD ADEQUATE STAFF TO PROVIDE EFFICIENT SERVICE TO THE BUSINESS COMMUNITY, RESULTING IN BUSINESSES THAT WERE SEEKING CBE CERTIFICATION NOT HAVING ALWAYS MAXIMIZED CBE OPPORTUNITIES. ACCORDINGLY, AMONG OTHER THINGS, WE RECOMMENDED THAT THE

DIRECTOR OF THE DEPARTMENT OF SMALL AND LOCAL BUSINESS

DEVELOPMENT: (1) ESTABLISH AND DOCUMENT STANDARD OPERATING POLICIES AND PROCEDURES FOR THE DSLBD; (2) COORDINATE WITH THE DEPARTMENT OF HUMAN RESOURCES, ASSESS AND DETERMINE THE APPROPRIATE WORKLOAD FOR CERTIFICATION SPECIALISTS TO ENSURE THAT CURRENT STAFFING LEVELS ARE ADEQUATE TO PROVIDE THE LEVEL OF BUSINESS SERVICES NEEDED FOR THE CBE PROGRAM; AND (3) REQUEST THAT OCTO IMPLEMENT SYSTEM REQUIREMENTS THAT WILL LINK THE CBE ONLINE SYSTEM TO THE SYSTEM OF ACCOUNTING AND REPORTING (SOAR) AND ALLOW THE DSLBD AND SUBCONTRACTORS TO MONITOR PAYMENTS FROM OCFO TO PRIME CONTRACTORS.

DSLBD AGREED WITH THE RECOMMENDATIONS, AND TOOK THE FOLLOWING ACTIONS IN RESPONSE: (1) ESTABLISHED STANDARD OPERATING PROCEDURES, WHICH WERE IMPLEMENTED IN FEBRUARY 2008, FOR THE CERTIFICATION DIVISION; (2) HIRED A CERTIFICATION MANAGER AND REALIGNED STAFF TO ADDRESS RISING WORKLOAD CONCERNS; AND (3) INDICATED THAT DSLBD WOULD WORK WITH OCTO AND OCFO TO ENSURE THE NEW SYSTEM SEAMLESSLY INTEGRATES THE CBE ONLINE SYSTEM. UPON ISSUANCE OF THIS REPORT, WE CONSIDERED THESE RECOMMENDATIONS TO BE CLOSED.

## **OIG CURRENT CBE REVIEW PLANS**

OUR FY 2013 AUDIT AND INSPECTION PLAN OUTLINES THE OIG'S PLAN TO CONDUCT AN AUDIT OF OCP'S USE OF QUALIFIED CBEs. THE AUDIT OBJECTIVES ARE TO DETERMINE WHETHER: (1) CBEs HAVE CURRENT APPLICATIONS AND CERTIFICATIONS TO CONDUCT BUSINESS WITH THE DISTRICT; (2) CBE PROGRAM PERFORMANCE HAS BEEN PERFORMED IN COMPLIANCE WITH LAWS, RULES, AND REGULATIONS; AND (3) GOODS AND SERVICES RECEIVED BY THE DISTRICT WERE COST EFFECTIVE, EFFICIENT, AND PROFESSIONALLY DELIVERED. THIS AUDIT WILL PROVIDE THE DISTRICT WITH AN OVERALL INDICATION OF OCP'S UTILIZATION AND ROTATION OF CBEs.

THANK YOU FOR PROVIDING ME THE OPPORTUNITY TO TESTIFY TODAY. AT THIS TIME, RON KING AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE.