



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

FISCAL YEAR 2013 AUDIT AND INSPECTION PLAN

**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

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

Inspector General



August 31, 2012

The Honorable Vincent C. Gray
Mayor of the District of Columbia
The John A. Wilson Building
Mayor's Correspondence Unit, Suite 316
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
The John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 402
Washington, D.C. 20004

RE: Office of the Inspector General's Fiscal Year 2013 Audit and Inspection Plan

Dear Mayor Gray and Chairman Mendelson:

This letter transmits the Office of the Inspector General's (OIG) *Fiscal Year 2013 Audit and Inspection Plan* (Plan). This Plan has been prepared pursuant to D.C. Code § 1-301.115a (a)(3)(I) (Supp. 2011), which states, in part, that the Inspector General shall "[n]ot later than 30 days before the beginning of each fiscal year . . . and in consultation with the Mayor . . . [and] the Council. . . establish an annual plan for audits to be conducted under this paragraph. . . ." For your convenience, as we did last year, we have incorporated our strategy for inspections into the Plan.

The Plan contains audits and inspections that are discretionary, required by law, or identified pursuant to special requests from District leaders, managers, and other stakeholders. Specifically, our Plan provides for conducting reviews that are designed to assess the results of various budgeted programs, which includes the economy and efficiency of actions taken to attain those results. The Plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's fiscal integrity and continued financial strength.

In formulating the Plan, we identified agencies and programs considered material in terms of service delivery and fiscal impact. Additionally, we considered risk factors, which include the following:

- material internal control weaknesses;
- potential fraud, other criminal acts, or improper practices;
- substantial violations of program directives or poor management practices that could seriously affect program accomplishment;
- major inefficiencies in the use of resources or management of operations; and
- significant program performance issues.

The OIG has and continues to play a role in assisting District management in addressing areas of risk. As such, we have developed the following strategic themes that will govern our operations and help us achieve our mandated mission. These themes are:

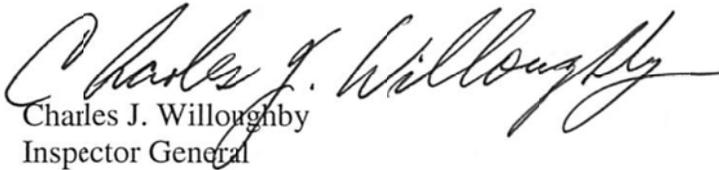
- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law
- VI. District of Columbia Education Programs
- VII. Prior Performance Audits

The reality of having limited resources and the unknown priorities arising from exigencies throughout the year often determine how many audits or inspections we can ultimately initiate and complete in any fiscal year. This is particularly true in today's economic climate. Further, many of the audit and inspection areas included transcend a given fiscal year. In order to ensure the most effective and efficient use of our resources, where possible, audits and inspections are coordinated to complement one another and to avoid duplication of effort.

It is our hope that District managers will use and take advantage of this Plan to help further identify risk areas within their respective agencies so that they may begin to address issues identified herein, or previously reported, and begin to take actions to improve operational efficiencies before our audit or inspection. Accordingly, this Plan can and should be viewed by management as a risk assessment of District programs and operations.

Copies of the enclosed Plan and our published audit and inspection reports are available at <http://oig.dc.gov>. If you have questions or desire additional information, please contact Ronald W. King, Assistant Inspector General for Audits; Alvin Wright, Jr., Assistant Inspector General for Inspections and Evaluations; or me at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

Enclosure

CJW/lw

cc: See Distribution List

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Agency and Department Heads, District Government (1 copy)

**FISCAL YEAR 2013
AUDIT AND INSPECTION PLAN**

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Fiscal Year 2013 Audit and Inspection Plan

INTRODUCTION

INTRODUCTION

The Office of the Inspector General (OIG) is pleased to present the Fiscal Year 2013 Audit and Inspection Plan (Plan) for the Government of the District of Columbia. Pursuant to D.C. Code § 1-301.115a (a)(3)(I) (Supp. 2011), the OIG, in consultation with the Mayor and the District of Columbia Council (Council), is required to establish an audit plan 30 days prior to the commencement of the new fiscal year.

The Plan includes descriptions of mandated and discretionary audits and inspections to be conducted in the upcoming fiscal year based on risk assessments of vulnerable programs and issues; input from the District's executive and legislative leadership, agency officials, and other stakeholders; and the requirements of federal law. We have also included audits and inspections ongoing as of September 1, 2012.

In an effort to sharpen the focus of our audits and inspections, the OIG continuously assesses those programs and activities that pose the greatest risk to the District. Statutory mandates govern the conduct of many of our activities; however, the majority of our activities are discretionary, often addressing concerns and interests of elected officials, agency heads, and members of the District community. District officials and other stakeholders have emphasized their continuing commitment to avoid risks that could trigger the re-emergence of budget deficits and management inefficiencies.

The Plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's fiscal integrity and continued financial strength. In assessing these risks, our audit plan has been designed to concentrate on seven strategic themes that will govern our operations, help us achieve our mandated mission, and further the Mayor's strategic initiatives. These themes are:

- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law
- VI. District of Columbia Education Programs
- VII. Prior Performance Audits

Our Plan is ambitious, shaped in part by concerns raised by District leadership. Accordingly, our Plan reflects ideas and suggestions from the Mayor's office, Councilmembers, District agency officials, and others.

The listing of a particular audit or inspection in this Plan does not necessarily mean that problems exist or guarantee that a review will be undertaken. The reality of having limited resources and the unknown priorities arising from exigencies throughout the year, particularly in these times, often determine which audits or inspections can ultimately be initiated in any fiscal year. Additionally, this plan is designed to address audit areas that transcend a given fiscal year until identified risks facing the District are mitigated.

The following is a brief explanation of the audit and inspection process and a short summary of each audit and inspection, ongoing as of September 1, 2012, or planned for fiscal year (FY) 2013. They are categorized first by theme and then by issue area within a theme. Issue areas are not mutually exclusive of other themes; however, an audit or inspection is listed under the issue area where the majority of the reviews are intended to be focused.

THE AUDIT PROCESS

THE AUDIT PROCESS

An established sequence of events occurs for every audit conducted. These steps include the announcement of the audit (engagement letter), entrance conference, fieldwork, exit conference, a resolution process, and audit follow-up. Each step is discussed below.

Engagement Letter

Prior to the start of an audit, we normally send the head of the agency a letter announcing the audit. The letter includes the title of the audit effort and a project number and describes the audit objectives, the scope of the review, and the planned starting date. The letter also explains that we plan to hold an entrance conference to brief the appropriate management officials about the audit. The engagement letter may also advise agencies of our working space requirements, any specific information needs, and other support requirements.

Entrance Conference

At the beginning of each audit, we hold a formal entrance conference with the management officials whose operations are to be audited. It is at this initial meeting that the auditors explain the purpose of the audit, including the audit objectives, the scope of the audit effort, audit methodologies, and the audit reporting process. If management has requested the audit, it is an opportune time to discuss management's concerns and possibly adjust or add specific audit objectives to focus on management's specific areas of interest or potential problems. During the conference, we encourage management officials to bring to the attention of the audit team any concerns, ideas, or special circumstances concerning the matters to be audited.

Fieldwork

Audit fieldwork begins with the survey phase. In the survey phase, we obtain information on a program, activity, or function and perform initial tests in line with our audit objectives to discern any vulnerable areas on which we need to focus our audit efforts. After we complete the survey work, we will determine whether there is sufficient basis for additional audit work. When such a determination is made, we perform the second phase of fieldwork, which is the audit execution phase. Normally, the bulk of the audit work is performed in the audit execution phase, when more extensive reviews of records and documentation are undertaken and detailed tests are performed to determine whether programs and systems are functioning as intended. In this phase, the auditors will begin to develop their findings and recommendations. Audit

fieldwork often requires the cooperation of agency personnel to answer questions; provide access to original records, documentation, and files; and prepare information requested by the auditors. Keeping in mind that agencies need to focus on their normal workload, our auditors make every attempt to limit requests for information to the level necessary to complete the audit.

Keeping Agency Officials Informed

During the course of the audit, we keep management officials advised of any deficiencies and/or weaknesses we identify. Our auditors are instructed to keep agency officials informed of the audit's progress and to be alert to issues that need to be immediately brought to management's attention. Managers of an organization being audited can also expect the following types of formal communications:

Audit Memoranda. As the audit progresses, we may provide the agency head with interim findings (such as a Management Alert Report) to alert the agency head of matters requiring immediate attention or action and to obtain informal comments regarding the accuracy and completeness of the audit findings.

This early communication serves three purposes:

1. It gives the agency the opportunity to voice concerns and provide additional information.
2. It reduces misunderstandings or inaccuracies.
3. It allows agencies to correct problems as they are identified.

Audit Exit Conference. After all audit work is completed, we conduct an exit conference with agency officials. At the exit conference, we summarize the issues previously brought to management's attention, as well as the findings and recommendations we may have developed. This is an opportune time to discuss the corrective actions needed to address any deficiencies. We encourage management to take immediate corrective action, if possible. Substantiated corrective actions taken by management are included in our draft report.

Draft Audit Report. After considering any comments and concerns raised at the exit conference, we prepare a draft report and send it to agency officials responsible for ensuring implementation of the corrective actions. Usually, we request the agency official to respond in writing to a draft report within 15 business days. The reply should include the actions taken and planned, target dates for any uncompleted actions, and the reasons for any disagreement with the findings or recommendations.

Final Report. After carefully analyzing management's response to the draft report, we incorporate management's response into the body of the report and include the full text of the reply in an appendix to the report. We then send copies of the final report to the official responsible for taking corrective action. This usually is the head of the agency. Copies of the final report are also provided to the Mayor, City Administrator, D.C. Council, and other officials, as appropriate. OIG audit reports may also be provided to congressional committees, individual members of Congress, and the press. Audit reports are available to the public on the OIG website.

Resolution Process. Prior to issuing the final report, the OIG will make every reasonable effort to resolve a disagreement with agency officials responsible for acting on report recommendations. If an agreement is not attainable, the final report will be issued and agency officials will be given another opportunity to comment on the final report. If comments to the final report indicate a continuing disagreement with the report's findings or recommendations, the issue will be resolved at the Inspector General level in conjunction with the Mayor.

Audit Follow-up. District officials and managers are responsible for implementing the corrective actions they have agreed to undertake in response to the audit report. The OIG monitors progress in implementing audit recommendations. Periodically, the OIG conducts follow-up audits to verify that pledged actions have been taken and were effective in correcting reported deficiencies.

ADDITIONAL REPORTING MECHANISMS

ADDITIONAL REPORTING MECHANISMS

In addition to final reports issued upon the completion of an engagement, the OIG has instituted special reports to include:

- Management Alert Report (MAR)
- Management Implication Report (MIR)
- Fraud Alert Report (FAR)

A MAR is a report that is issued to the head of an agency for the purpose of identifying systemic problems that should and can be addressed during an audit, investigation, or inspection. This report can also be used as a quick reaction report when it is necessary to advise management that significant time-sensitive action is needed.

A MIR is a report that is issued during or at the completion of an audit, investigation, or inspection alerting all District agencies of a potential problem, which may or may not be occurring in their particular agency.

A FAR is a report identifying a fraudulent scheme or schemes discovered most commonly as a result of a criminal investigation. This report, which is usually issued by our investigative division, is issued to alert all District agencies to be “on the lookout” for similar schemes.

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¹ Agency codes identified correspond to the two-digit codes assigned by the Mayor’s Budget Office. “MA” represents audits for which fieldwork will be conducted at multiple agencies.

² “O” indicates the review is ongoing as of September 1, 2012, and “P” indicates the review is planned to start in FY 2013.

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PLANNED AND ONGOING AUDITS

I. Revenue Enhancement

The District of Columbia government is unique and extremely complex. As one entity, the District government provides services typically delivered elsewhere by states, counties, cities, and special taxing districts. The challenge for the District is to navigate this jurisdictional complexity while facing decreasing revenues and increasing service needs. The gross budget in the FY 2013 Proposed Budget and Financial Plan totals \$11.4 billion, which is \$485 million, or 4.5 percent, more than the FY 2012 Approved Budget of \$10.9 billion.

Revenue is derived from both tax and non-tax sources. Non-tax sources consist of fees, fines, assessments, and reimbursements, while tax sources are levies on broad measures of citizens' abilities to pay (e.g., income, consumption, and wealth). As the nation's capital, the District's taxable property base is reduced by about 42 percent for expressly exempted real property (i.e., federal buildings, foreign embassies, national monuments, and museums). This severely limits the District's ability to generate additional revenue, making it increasingly difficult to meet planned spending levels. For FY 2013, we will continue to focus on audits that assess whether the District is effective in levying and collecting tax-based revenue, acting on all grant-based revenue opportunities, executing effective Medicaid reimbursement programs in the agencies, and optimizing other revenue generating activities. These audits address whether the District is maximizing its revenue potential from all known revenue sources.

We categorized planned Revenue Enhancement reviews into issue areas that, while not mutually exclusive of other OIG themes, are primarily focused on the Revenue Enhancement theme. Accordingly, the issue areas are Medicaid, Grants Management, Tax Collections, and Other Revenue Issues.

A. Medicaid

The District's Medicaid Program will spend over \$2.5 billion on healthcare in FY 2013. The Medicaid Program has been of continuing concern to the District for some time and has been identified in recent Management Reports related to the Comprehensive Annual Financial Report (CAFR) as a significant deficiency affecting the District's financial management infrastructure. Past Congressional committees, as well as the Mayor and the Council, have recognized that Medicaid is a serious problem for the District that has threatened the solvency of some District agencies. For these reasons, the OIG has designated the Medicaid Program as a major issue area until the risk to the District is more manageable. Additionally, D.C. Law 17-109 established the Department of Health Care Finance (DHCF), effective February 27, 2008, to finance healthcare services associated with the Medicaid and Alliance Programs. Accordingly, our plan for Medicaid coverage is citywide and comprehensive.

NO. 2 **Department of Health Care Finance** **STATUS: Start FY 2013**

TITLE: **MEDICAID ADMINISTRATIVE CONTRACTS**

OBJECTIVES: The objectives of the audit are to determine whether: (1) solicitation for service are properly competed and proposals are fairly evaluated; (2) contracts are awarded in compliance with requirements of applicable laws and regulations; (3) contracts are administered in an efficient, effective, and economical manner; and (4) there are internal controls in place to safeguard against fraud, waste, and abuse.

JUSTIFICATION: During the course of a prior audit we discovered a lack of internal controls over administrative contracts. We identified DHCF internal control deficiencies that included contract monitoring, storage and/or creation of contract files, assignment of Contracting Officer Technical Representatives (COTRs), and the expenditures (accounting) financial status of each contract. Purchase orders were paid without any consistency or proper review.

In FY 2009, FY 2010 and FY 2011, the District paid contracts/purchase orders amounting to as much as \$32 million, \$48 million, and \$37 million, respectively, for administrative contracts. On the services side, one contract alone pays an MCO as much as \$322 million annually. A detailed review of contracts could provide a benefit of recognizing cost savings, cost avoidance, or identifying instances of waste, fraud, or abuse.

NO. 3 **Multi-Agency** **STATUS: Start FY 2013**

TITLE: **HUMAN CARE AGREEMENTS**

OBJECTIVES: Our audit objective is to determine whether the Department on Disability Services (DDS) properly awarded and monitored human care agreements with providers of services under the home and community-based services waiver for people with developmental disabilities.

JUSTIFICATION: The Procurement Practices Human Care Agreement Amendment Act of 2000 (D.C. Law 13-155) authorizes the District's Chief Procurement Officer, or his/her designee, to award human care agreements for the procurement of direct social, health, human, and education services for District residents. Section 1905.6(b) of Title 27 of the District of Columbia Municipal Regulations (DCMR) requires contracting officers for each responsible agency to certify the financial

and professional responsibility of each potential contractor based on the resumés and professional qualifications of the business or organization's staff, as well as relevant professional and/or business licenses and affiliations.

We believe that licensing and certification issues result in disallowance of claim payments for Medicaid services, which the District then becomes responsible for repaying the federal government. This audit may be expanded to address the award of human care agreements by other agencies such as the Office of Contracting and Procurement (OCP) for home health agency services, Department of Mental Health (DMH) for mental health services, Child and Family Services Agency (CFSA) for case management and rehabilitative services to children in the custody of the District (foster care), and District of Columbia Public Schools (DCPS) for special education services.

NO. 4 **Department of Health Care Finance** **STATUS: Start FY 2013**

TITLE: **OUT OF STATE MEDICAID FACILITIES**

OBJECTIVES: Our audit objectives are to determine whether: (1) DHCF properly oversees District residents that are admitted to out-of-state facilities; (2) capacity and specificity of in-state facilities are maximized, resulting in a need for out-of-state facilities; and (3) whether Medicaid costs can be reduced as result of maximizing the use of District facilities.

JUSTIFICATION: The District spends approximately \$18.6 million annually for out-of-state Medicaid nursing facilities. When District residents are admitted to out-of-state facilities, the control over and well-being of residents is ceded to the state in which the care is provided. The care provided at these facilities is no longer under DHCF oversight and, Medicaid payments are made to the state or jurisdiction in which the District resident resides.

JUSTIFICATION: The District's FY 2008 Medicaid Annual Report indicates that the budget for the DME/POS program is about \$13.4 million and represents the third highest vendor payment program in Medicaid. Examples of DME include canes, crutches, hearing devices, and internal formula (nutrients furnished through tube feeding). Prosthetics are devices that replace all or part of any internal body organ and orthotics are devices that support or align movable parts of the body, prevent or correct deformities, or improve functioning.

Many DME/POS suppliers are reputable businesses, but this area has been prone to fraud and abuse across the United States. CNN News reported on October 22, 2009, and Department of Health and Human Service audits have exposed, that suppliers do not need professional education or licenses and that perpetrating fraud can be as simple as opening a post office box, submitting claim forms using actual or stolen Medicaid beneficiary numbers, and/or shipping supplies to a false address. Although the DHCF started requiring separate applications for DME/POS providers in 2008, responsible officials indicated that they did not conduct site visits to confirm addresses during the provider enrollment process.

NO. 7 **Department of Health Care Finance/** **STATUS: Ongoing**
 Office of Contracting and Procurement

TITLE: **MEDICAID ADMINISTRATIVE SERVICES CONTRACTS**

OBJECTIVES: Our objective is to determine whether Medicaid non-direct services contracts were properly awarded and monitored.

JUSTIFICATION: The OIG Medicaid Research Project team identified that Medicaid non-direct services contracts valued at about \$300.1 million were in place during FY 2008. These contracts cover such diverse areas as quality assurance, managed care, information technology, actuarial services, non-emergency transportation broker services, and consulting services. The legislation making DHCF an independent cabinet-level agency, effective October 1, 2008, gave the agency temporary independent procurement authority. The agency hired a contracting officer, but continues to work with OCP to award Medicaid non-direct services contracts. DHCF program officials are responsible for monitoring Medicaid non-direct services contracts. The first audit segment will focus on the District's contract with the vendor

responsible for evaluating the quality of care and services supplied by Medicaid providers.

NO. 8 **Department of Health Care Finance** **STATUS: Ongoing**

TITLE: **MEDICAID STATE PLAN**

OBJECTIVES: Our audit objectives are to determine whether: (1) DHCF's current structure and internal controls provide assurance of organizational and program integrity; (2) DHCF is in compliance with laws, rules, and regulations; and (3) DHCF is receiving cost effective services and that these services are professionally delivered.

JUSTIFICATION: The District spends approximately \$2 billion or about 25 percent of its current proposed budget on health care for approximately 237,700 District residents. Medicaid provides coverage for approximately 201,800 District residents enrolled in Managed Care Organizations or fee-for-service payments. Additionally, 14,500 District residents receive Medicaid health coverage as a second payer after Medicare. Finally, there are approximately 21,400 District residents who are ineligible for Medicaid but receive healthcare coverage through the locally funded Alliance program.

NO. 9 **Department of Health Care Finance** **STATUS: Start FY 2013**

TITLE: **REPROCESSING AND RESUBMITTING DENIED MEDICAID CLAIMS**

OBJECTIVES: The audit objective is to determine whether agencies have established processes to rework and resubmit denied Medicaid Claims.

JUSTIFICATION: Certain agencies have not established processes to rework and resubmit denied Medicaid claims. Among them are the DMH, CFSA, DCPS, the Department of Health (DOH), and the DDS. Additionally, according to a report previously issued by the OIG (OIG No. 06-2-13RM), DMH did not have processes, procedures, and personnel to manage and monitor Medicaid-eligible claims denied by Medical Assistance Administration (MAA), which resulted in the use of as much as \$30.1 million in local funds. With respect to CFSA, reports from several news outlets revealed that CFSA lacks a system to rework and resubmit denied Medicaid claims.

NO. 10 **Child and Family Services Agency** **STATUS: Ongoing**

TITLE: **MANAGEMENT OF FINANCIAL OPERATIONS
AT THE CHILD AND FAMILY SERVICES AGENCY**

OBJECTIVES: The audit objectives are to determine whether CFSA: (1) adequately managed controls over business operations, including payments to vendors and providers, grant funds, and financial transactions; (2) effectively processed and managed Medicaid claims; and (3) implemented internal controls to safeguard against fraud, waste, and abuse.

JUSTIFICATION: This audit was requested by Councilmember Tommy Wells to review CFSA's management of District funds awarded to sub-grantees. CFSA is the District of Columbia child welfare agency responsible for investigating reports of child abuse and neglect, protecting child victims and those at risk of abuse and neglect, and assisting their families. CFSA services include foster care, adoption, and supportive community-based services to enhance the safety, permanence, and well-being of abused, neglected, and at-risk children and their families. The agency's FY 2013 proposed budget is \$257 million and has 900 FTE's to meet the agency's mission, goals, and objectives.

B. Grant Management

The District depends on federal grant funds to provide a wide range of services and programs for its citizens. As federal grants account for a significant portion of District revenue, it is essential that the District properly account for grant funds and obtain timely reimbursement for District funds expended. The Chief Financial Officer of the District has the responsibility to ensure that policies governing the management of grant funds are effectively implemented.

Deficiencies related to federal grants include non-compliance with reporting requirements, poor cash management practices, insufficient monitoring, untimely billings/requests for reimbursement, and inadequate supporting documentation for related expenditures. These deficiencies have cost the District millions of dollars, in addition to the use of funds and lost interest. Poor controls over these areas may result in unused grant funds, termination of fund availability, misuse of grant funds, and potential fines and/or penalties. Grant management has emerged as a persistent problem area as indicated by findings and recommendations of past OIG audits.

NO. 11 **Multi-Agency** **STATUS: Start FY 2013**

TITLE: **LAPSED GRANT FUNDING**

OBJECTIVES: The audit objectives are to: (1) identify the dollar amount of lapsed grants awarded to District agencies; and (2) determine whether policies and procedures exist for optimizing the use of federal grants.

JUSTIFICATION: Federal grants are economic aid issued by the federal government to state governments for various projects. Each year, the District receives a large amount of federal grants. The FY 2013 District budget of \$11.4 billion consisted of \$2.60 billion in federal grants.

An audit report issued in June 2005 by the federal Health and Human Services (HHS) OIG on the previous 4 years of grants awarded to the District's DOH by the Centers for Disease Control and Prevention (CDC) found that 48 percent of the funds were un-obligated as of the end of the grant year. HHS OIG's second audit found 46.5 percent of the funds were un-obligated for grants awarded by Health Resources and Services Administrations (HRSA) as of the end of the grant year.

NO. 12 **District of Columbia Public Library** **STATUS: Start FY 2013**

TITLE: **GRANTS AWARDED BY THE DISTRICT OF COLUMBIA PUBLIC LIBRARY**

OBJECTIVES: The overall objectives of the audit are to determine whether the D.C. Public Library: (1) awarded grants in an efficient, effective, and economical manner; (2) complied with requirements of all applicable laws, rules, regulations, policies, and procedures; and (3) established internal controls to safeguard against waste, fraud, and abuse.

JUSTIFICATION: A January 29, 2011, investigation by the Office of Inspector General at the National Archives and Record Administration (National Archives) revealed that the Historical Society of Washington D.C. (HSW) misused and mismanaged the federal grant fund from the National Archives. The investigation also revealed that HSW received a \$1 million grant from the D.C. Public Library; this audit will address the management and use of these District of Columbia grant funds.

NO. 13 **Office of Partnerships and Grants Services** **STATUS: Start FY 2013**

TITLE: **GRANTS ADMINISTRATION AT THE DISTRICT OF COLUMBIA OFFICE OF PARTNERSHIPS AND GRANT SERVICES**

OBJECTIVES: Our audit objectives are to determine whether the Office of Partnerships and Grant Services (OPGS) ensured that grants are: (1) awarded in compliance with requirements of applicable laws, rules, regulations, and policies and procedures; (2) administered in an efficient, effective, and economical manner; and (3) conducted in a manner in which internal controls were in place to safeguard against fraud, waste, and abuse.

JUSTIFICATION: District of Columbia Mayor’s Order 2011-170 authorizes OPGS to serve as the District’s State Single Point of Contact (SPOC) – an intergovernmental grant application review function established by Executive Order 12372. One OPGS core function is to oversee the planning and execution of District agencies’ competitive grant funding requests to federal, foundation, and private sector grantors.

OPGS operationally serves as the District’s central clearinghouse of information and support related to new federal grants by: 1) training grant seekers to use searchable grant databases and other resource development sources; 2) disseminating Federal and Local Notices of Funding Availability via OPGS’ website; 3) researching federal and foundation funding opportunities that District agencies, non-profits, and faith-based organizations are eligible to pursue; 4) maintaining a public website with a wide variety of easy-to-use resource development information, in consultation with the District’s Office of the Chief Technology Office (OCTO); and 5) serving as the District’s SPOC for all federal grant programs covered by Executive Order 12372. Various allegations regarding the misuse of District of Columbia grant funds by various individuals have prompted our review.

C. Tax Collections

Tax collections generate the bulk of revenue to finance District operations paid from the General Fund. For FY 2013, District local source revenue is forecasted to be \$5.9 billion. Further, the Government Accountability Office, as well as District officials, have drawn attention to the structural imbalance in the District’s revenue system, which limits the District’s ability to generate additional revenue. Thus, the efficiency of tax collection automated systems and the effectiveness of policies, procedures, and internal controls play a pivotal role in enabling the District to maximize collection of taxes due to the city.

NO. 14 **Office of the Chief Financial Officer** **STATUS: Start FY 2013**

TITLE: **TAX COLLECTION EFFORTS AT THE OFFICE OF TAX AND REVENUE**

OBJECTIVES: The objectives of the audit are to: (1) evaluate the effectiveness of the Office of Tax and Revenue’s (OTR’s) internal control policies and procedures for collecting delinquent taxes, interests, and penalties; (2) ensure compliance with the D.C. Code regarding enforcement actions taken against delinquent business taxpayers; and (3) assess the effectiveness of collection agencies under contract to collect delinquent taxes, interests, and penalties.

JUSTIFICATION: OTR’s Integrated Tax System (ITS) assigns delinquent tax cases randomly to tax revenue officers. ITS assigns annually between 2,000 to 3,000 cases to each tax revenue officer. Based on discussions with officials at OTR’s Collection Division, the average number of cases that a tax revenue officer can manage is 200 - 400 per year and the remaining cases are referred to collection agencies. In addition, ITS does not include: (1) a case management module to classify delinquent tax cases based on dollar amount, tax type, or tax year; and (2) a tax period delinquency investigation module to generate a letter or notice if a taxpayer does not file the required tax return on time.

NO. 15 **Office of the Chief Financial Officer** **STATUS: Start FY 2013**

TITLE: **COLLECTION OF BUSINESS FRANCHISE TAXES**

OBJECTIVES: The objective is to determine whether OTR has procedures and systems in place to properly identify entities earning D.C. source

income for the purpose of assessing franchise taxes, and whether a system has been established to accurately track and account for franchise tax collections.

JUSTIFICATION: The District’s franchise tax is imposed on all corporations and unincorporated businesses having earnings in the District of Columbia, regardless of their resident status. Therefore, franchise taxes are levied on entities and sole proprietors for the privilege of doing business in the District of Columbia. The D.C. franchise tax is applicable only to the District’s source income.

Many projects in the District of Columbia are executed partly or entirely by sub-contractors, some of which are unincorporated businesses. Also, during the housing boom, many investors bought real estate in the District for the purpose of collecting rent from tenants. The audit will determine whether OTR is investing appropriate resources to identify such businesses for franchise tax purposes.

NO. 16 **Office of the Chief Financial Officer** **Status: Start FY 2013**

TITLE: **DELINQUENT TAX COLLECTIONS/OFFERS IN COMPROMISE**

OBJECTIVES: The audit objectives are to determine whether OTR processes delinquent tax accounts in accordance with District laws and regulations; has effective and efficient policies and procedures in place to collect delinquent taxes; and administers tax abatement policies, such as “offers in compromise,” in accordance with laws and regulations.

JUSTIFICATION: OTR is responsible for collecting taxes due the District of Columbia government. Individual, corporate, and unincorporated income taxes are among the largest source of revenue for the District government. Individual income tax is the largest of the three. For FY 2013, anticipated income taxes are estimated at nearly \$1.8 billion.

The D.C. Code grants OTR the right to file liens, place levies on taxpayer property, and seize and sell taxpayer property to collect taxes owed to the District government.

NO. 17 **Office of Tax and Revenue** **STATUS: Start FY 2013**

TITLE: **TAX APPEAL PROCESS**

OBJECTIVES: The audit objective are to: (1) determine whether negotiations and settlements of cases involving tax audits and tax collections are conducted in accordance with applicable policies and procedures; and (2) evaluate the impact of those operations on tax revenues.

JUSTIFICATION: The mission of the Office of Tax Appeals is to enhance voluntary compliance and improve taxpayer confidence in the District of Columbia by providing taxpayers an opportunity to resolve disputes, without litigation, through a process that is fair and impartial to both the government and the taxpayer. The Office of Tax Appeals issues a decision either ordering the Audit or Collection Division to grant the relief sought by the taxpayer or affirming the examination or collection determination.

NO. 18 **Office of Tax and Revenue** **STATUS: Start FY 2013**

TITLE: **FRANCHISE TAX COLLECTION ON OUT-OF-STATE
CONSTRUCTION CONTRACTORS**

OBJECTIVES: The audit objectives are to determine whether: (1) out-of-state construction contractors timely file their franchise tax returns; and (2) OTR has proper controls in place to detect vendors' non-compliance with franchise tax filing requirements.

JUSTIFICATION: During our Highway Trust Fund (HTF) audit, OTR officials brought to our attention the issue that some out-of-state construction contractors fail to file, or late file franchise tax returns. We have obtained all vendor activities (construction and non-construction) for FY 2011 for two randomly selected District agencies and determined that more than 60% of the vendors have addresses outside of the District and more than 60% (\$237 million for one agency and \$22 million for another) of vendor payments went to the vendors who are not from the District.

NO. 19 **Office of Tax and Revenue** **STATUS: Ongoing**

TITLE: **COMMERCIAL MORTGAGE RECORDATION**

OBJECTIVES: The objectives of the audit are to: (1) determine whether OTR collected recordation tax on the whole debt at the time of refinance for purchase money loans; (2) confirm the period of time for which this practice was in place; and (3) substantiate how much tax money has been collected on commercial refinances since the enactment of the Tax Clarity Act of 2000 (D.C. Law 13-305).

JUSTIFICATION: Councilmembers David A. Catania and Mary M. Cheh requested that the OIG examine the collection of commercial mortgage recordation taxes at OTR as the result of newspaper articles alleging that OTR failed to collect the 1.1% recordation tax on the total amount of refinanced purchase money deeds of trust or mortgages on commercial properties (purchase money loans) in accordance with the Tax Clarity Act of 2000. Instead, OTR collected the recordation tax only on new debt acquired at refinancing.

D. Other Revenue Issues

This issue area includes those audits within the Revenue Enhancement Theme that do not yet have sufficient common elements to warrant a separate issue area.

NO. 20 **Multi-Agency** **STATUS: Start FY 2013**

TITLE: **PUBLIC SPACE MANAGEMENT ADMINISTRATION**

OBJECTIVES: The audit objectives are to determine whether: (1) the Public Space Management Administration has established adequate controls and procedures to identify holders of public right-of-way occupancy (ROW) permits; (2) there is an ongoing inventory; and (3) there is an adequate process in place to accurately determine revenues from right-of-way rental fees.

JUSTIFICATION: During our financial audit of the HTF (audit) for FY 2011, we noted that billing for public ROW rental fees was performed by the Office of the Chief Financial Officer (OCFO). We found that the OCFO does not maintain copies of public ROW Occupancy Permits and does not obtain along with public ROW rental payments, permit holders'

certification attesting to the accuracy of the inventory or the required quarterly report. When we inquired about the source of the inventory for billing of public ROW rental fees, the OCFO responded that it is based on the previous quarter's inventory, adjusted for any changes permit holders report with their payments (permit holders are required to update their inventory and self-assess new tax liability). OCFO indicated that the required documentation is maintained with the Public Space Management Branch (Branch). Officials with the Branch indicated that due to the relocation of their new offices to Southwest D.C., they have been unable to locate, among other records, copies of public ROW Occupancy permits.

Title 24 DCMR § 3302.1 requires a public ROW occupancy permit (and provides the annual rental fees) for below ground stand-alone conduits or pipe (\$1.06 per linear foot); above ground with aerial lines (\$1.59 per linear foot); or on the surface with any structure housing transmission facilities (\$1.59 per square foot) (collectively referred to as inventory). Revenues from ROW rental fees in FY 2011 were \$40.5 million.

NO. 21 **Department of Motor Vehicles (DMV) STATUS: Start FY 2013**
Department of Public Works (DPW)

TITLE: **PARKING/TRAFFIC ENFORCEMENT AND ADJUDICATION**

OBJECTIVES: The audit objectives are to determine: (1) the effectiveness of policies and procedures for dismissing tickets; (2) whether the District's parking dismissal statistics are comparable to other similar jurisdictions; and (3) whether parking enforcement is issuing tickets to drivers who should not have received citations.

JUSTIFICATION: *The Washington Times* published an article entitled "Ticketed in D.C. It's Fine Only Half the Time; City Tosses Many Citations," dated May 28, 2009, at page A01. The article reported that "[t]icket adjudicators in the District are dismissing about half the parking and traffic citations issued to those who contest them..." A D.C. council member and the Mayor have expressed concerns over this issue.

DPW's meter enforcement is to promote turnover at the meters so motorists can conduct their business. By enforcing residential parking regulations, DPW increases residents' access to parking spaces near their homes. DPW parking officers write parking tickets for various infractions such as: expired meters and vehicle registrations; missing

tags; residential permit parking and rush hour violations; double parking; failure to register a vehicle in the District; and blocking snow emergency routes, loading zones, driveways, crosswalks, hospital entrances, and bus stops. DMV develops, administers, provides adjudication services for, and enforces District vehicular laws with an emphasis on driver education and customer service. The Metropolitan Police Department (MPD) also regulates parking and vehicular traffic by issuing parking and moving violation citations.

NO. 22 **Department of Consumer and Regulatory Affairs (DCRA)/ Office of the Chief Financial Officer** **STATUS: Start FY 2013**

TITLE: **COLLECTION OF BUILDING PERMIT, CERTIFICATE OF OCCUPANCY, AND BUSINESS LICENSE FEES**

OBJECTIVES: The audit objectives are to: (1) evaluate the adequacy of building permit, certificate of occupancy, and business licensing fee collection by DCRA and the OCFO; (2) assess whether DCRA complied with applicable laws, regulations, policies, and procedures over fee collections; and (3) determine whether DCRA implemented internal controls over the collection of fees to prevent and detect fraud, waste, and abuse.

JUSTIFICATION: DCRA protects the health, safety, economic interests, and quality of life of residents, businesses, and visitors in the District of Columbia by issuing licenses and permits; conducting inspections; enforcing building, housing, and safety codes; regulating land use and development; and providing consumer education and advocacy services. Building permits, certificates of occupancy, and building license fees are important revenue sources for the District and provide a basis for assuring that housing and building safety codes are adhered to and enforced. DCRA is one of the District's top revenue-generating agencies. For FY 2013, DCRA proposed that revenue of \$16.5 million would be generated.

In some past audits, there has been concern that DCRA and OCFO do not reconcile revenue collected for housing and construction permits, certificates of occupancy, and surveyor and zoning violations with the actual number of permits and certificates issued. As a result, revenue may be less than anticipated.

of sales revenue from agents, monitoring of the online game contractor, and security operations; and (2) determine whether the Lottery Board's operations are in compliance with applicable provisions of law and regulations.

JUSTIFICATION: The Lottery Board is a revenue-generating agency of the District of Columbia. Each year, the D.C. Lottery transfers millions of dollars to the General Fund. This revenue is produced via the sale of online and instant games. Since the Lottery's inception in 1982, the total contribution to the General Fund has been over \$1 billion. The Lottery Board's annual transfer to the General Fund remains a vital component in aiding the city's economy, thereby benefiting all residents of the District of Columbia, as well as suburban commuters and tourists.

Previous audits revealed weaknesses and inefficiencies in the design and operation of the internal control structure of Lottery Board operations. Therefore, this audit will address the Lottery Board's operations in view of past internal control problems and the risks associated with lottery sales.

NO. 25 **Multi-Agency** **STATUS: Start FY 2013**

TITLE: **DISTRICT OF COLUMBIA BANK
ACCOUNTS**

OBJECTIVES: Our audit objectives are to determine: (1) what procedures OCFO uses to adequately control and properly account for all District government agency bank accounts; (2) whether the procedures are efficient and effective; and (3) whether internal controls are in place to safeguard against fraud, waste, and abuse.

JUSTIFICATION: OCFO's mission is to enhance the fiscal and financial stability, accountability, and integrity of the Government of the District of Columbia. OCFO responsibilities include accounting for all bank accounts maintained by the various District government agencies. No agency or component unit shall establish and operate a stand-alone bank account without the express written approval of the Deputy Chief Financial Officer, Office of Finance and the Treasury. Research obtained from government agencies, other states, and local municipalities has found this condition to be problematic. Also, audits have found that unauthorized bank accounts had been opened in the government's name, providing an opportunity for irregular activities to take place.

NO. 26 **District of Columbia Public** **STATUS: Start FY 2013**
Library (DCPL)

TITLE: **ACCOUNTABILITY OF REVENUES COLLECTED**
AT THE DISTRICT OF COLUMBIA PUBLIC
LIBRARY

OBJECTIVE: The audit objectives are to determine whether DCPL: (1) managed revenues in accordance with applicable laws, rules, and regulations, and in an efficient and economical manner; and (2) established adequate internal controls to safeguard against fraud, waste, and abuse.

JUSTIFICATION: The District of Columbia operates 25 public libraries that generate approximately \$520,000 in annual revenue from donations, copying fees, fines, garage parking space rentals, and other miscellaneous sources. In this regard, revenue must be properly managed with adequate internal control designed to ensure accountability and to guard against fraud, waste, and abuse.

Annual revenue generated by the public libraries is an integral part of the Mayor and D.C. Council's determination of DCPL's fiscal year budget. Revenue generated by DCPL is submitted to the District of Columbia Treasury.

II. SPENDING AND EFFICIENT USE OF RESOURCES

District of Columbia procurement laws, rules, regulations, policies, and procedures affect every aspect of District operations. However, the District's history of procurement problems, which includes inadequate planning, excessive use of sole source contracts, and unauthorized personnel committing government resources, is well documented. The expenditure of District resources is negatively impacted by poorly defined contract requirements, noncompliance with procurement rules, and the avoidance of competition. To maintain the confidence and trust of District stakeholders, the procurement process must (1) incorporate generally accepted key principles that promote transparency, accountability, and competition; (2) incorporate a procurement system that reflects sound management and oversight practices; and (3) provide quality products and services at reasonable prices. In this regard, the OIG implements initiatives to audit procurement and contract administration on a continuous basis consistent with the mandates of the OIG statute.

A. Procurement

The District of Columbia government is one of the largest purchasers of goods and services in the metropolitan area. Its procurement policies impact every aspect of District operations. Health and safety standards, education, wages, business growth, and fiscal and monetary soundness are all affected by procurement practices. These expenditures, however, have not always provided taxpayers with the most value for their tax dollars. OIG audits, external audits, and oversight hearings have revealed recurrent and pervasive areas of waste, mismanagement, cost overruns, inferior products, shoddy workmanship, and fraud. As a result, we have ongoing audits that address the efficiency of operations at various District agencies.

NO. 27	Office of the Chief Financial Officer	STATUS: Ongoing
TITLE:	CONTRACTING AND PROCUREMENT OPERATIONS AT THE OFFICE OF THE CHIEF FINANCIAL OFFICER	
OBJECTIVES:	The audit objectives are to determine the efficiency and effectiveness of contracting and procurement operations at OCFO and to assess the effectiveness of internal controls and adherence to Title 27 of the DCMR with respect to the award and administration of OCFO contracts.	

JUSTIFICATION: OCFO has independent procurement authority; however, the OCFO adheres to Title 27 of the DCMR in awarding and administering contracts. For FY 2010, OCFO requested approximately \$40.3 million for contracted services and an estimated additional \$10 million for equipment and other services. Given its independent procurement authority, and the size, and volume of OCFO contracts, this area warrants audit oversight.

NO. 28 **Office of Contracting and Procurement/ STATUS: Start FY 2013**
Department of General Services

TITLE: **CITY-WIDE SECURITY CONTRACT AWARD AND**
ADMINISTRATION

OBJECTIVES: Our audit objectives are to determine: (1) whether the contract award was made in compliance with applicable laws, rules and regulations, policies and procedures; (2) the effectiveness contract administration, and (3) to evaluate the adequacy of internal controls to safeguard against fraud, waste, and abuse.

JUSTIFICATION: On June 5, 2009, OCP, on behalf of the Department of General Services (DGS), Protective Services Police Division (PSPD) and the Metropolitan Police Department (MPD) issued solicitation DCPO-2009-B-0008 seeking contractors to provide security services to DGS and DCPS. The solicitation states that DGS requirements were clustered 1, 2, and 3.

On August 5, 2009, OCP awarded a \$17.7 million, 1-year payment based fixed labor hour rates, requirements-type contract with 4 option years to U.S. Security Associates, Inc. for city-wide security guard services. PSPD is identified as the COTR and is responsible for the general administration of the contract, advising the Contracting Officer regarding contractor compliance, day-to-day monitoring and supervision of the contractor's performance, and certifying monthly invoices for payment.

NO. 29 **Office of Contracting and Procurement** **STATUS: Start FY 2013**

TITLE: **THE DISTRICT’S EXCESS AND SURPLUS PROPERTY PROGRAM**

OBJECTIVES: The audit objectives are to determine whether: (1) excess and surplus property is properly accounted for, controlled, and adequately safeguarded; (2) OCP complied with requirements of applicable laws, rules, regulations, policies, and procedures; and (3) OCP established and implemented internal controls to prevent fraud, waste, and abuse.

JUSTIFICATION: OCP was established in 1997 pursuant to the Procurement Reform Amendment Act of 1996 (D.C. Law 11-0259). OCP provides centralized procurement for the District government and contracts for supplies, services, and construction for District government agencies and departments. One of OCP’s duties is to facilitate the reuse, sale, or disposal of D.C. government-owned excess and surplus personal property. OCP has delegated this task to the District’s Surplus Property Division (SPD).

Under District policies, each District agency is required to designate an Accountable Property Officer (APO), who is responsible for the custody, use, care, and safekeeping of the agency’s property, and for maintaining records of the agency’s property. When a District government agency determines that an item of personal property is obsolete or excessive to the needs of the agency, the APO is required to dispose of the property, declaring such property as excess, the property is sent to the SPD warehouse. If another agency can make use of the property, SPD will transfer the property to that agency. If no use can be found, it is declared as surplus assets and sold through online auction sales at www.dcgovt.govdeals.com.

NO. 30 **Office of Contracting and Procurement** **STATUS: Start FY 2013**

TITLE: **PURCHASE CARD PROGRAM**

OBJECTIVES: Our audit objectives are to determine whether: (1) OCP administers the purchase card program (P-Card) in accordance with applicable laws, rules, regulations, policies and procedures; (2) procedures used by OCP to monitor activity under the P-Card program meet the intent of the enactment of the P-Card program; and (3) effective internal controls have been established to safeguard against fraud, waste, and abuse.

JUSTIFICATION: In 1999, the District launched the P-Card program, which allows District agencies to procure small purchases valued at \$2,500 or less in a fast and efficient manner. Title 27 § 1801.1 allows for non-competitive small purchases. From FY 2009 to FY 2011, the quantity of P-Card transactions increased from 21,000 to more than 34,000; yet the amount of goods and services procured through P-cards has decreased from \$17.9 million in FY 2009 to \$10.6 million in FY 2011.

OCP is responsible for management and oversight of the P-Card program. An audit will allow the District to ascertain whether established (2009) P-card policies and procedures are adhered to and whether the policies and procedures provide adequate oversight to mitigate the risks associated with P-Card transactions.

Although the P-Card program promotes efficiency and effectiveness, the use of a P-Card program presents significant risk to the District (as select personnel have the ability to procure goods and services through a streamlined process), thereby increasing the risk of unauthorized or excessive purchases.

NO. 31 **Office of Contracting and Procurement** **STATUS: Start FY 2013**

TITLE: **COST ANALYSIS FOR SELECTED CONTRACTS**

OBJECTIVES: Our audit objective is to determine whether the contract prices for selected contracts are reasonable and fair when a contract award or contract modification exceeds \$500,000.

JUSTIFICATION: Title 27 DCMR § 1626.1 requires contracting officers to perform a cost analysis for contract awards or modifications in excess of \$500,000. Cost analysis is the review and evaluation of the separate cost elements and proposed profit of a contractor's cost or pricing data and the judgmental factors applied in projecting from the data to estimated costs.

On June 28, 2011, OCP provided us a report identifying all contracts awarded or modified in excess of \$500,000 for the period 10/1/2010 through 6/28/2011. The report was generated from the Procurement Automated Support System (PASS) by PASS analyst. According to the report, OCP awarded or modified 139 contracts with a total value of \$352 million. However, OCP only conducted a cost analysis for 1 out of 139 contracts.

Our independent cost analysis performed during the audit of contracting actions at the Office of the Chief Technology Officer, questioned whether the vendor overcharged the District by 10 percent. The primary cause for this condition was OCP's lack of cost analysis conducted prior to the award or modification of the contract. Conducting a similar independent cost analysis on selected contracts within the 138 contracts from PASS, may result in an additional saving of 10 percent or \$35 million.

NO. 32 **Department of General Services** **STATUS: Start FY 2013**

TITLE: **SELECTED CONTRACTS AT THE DEPARTMENT OF GENERAL SERVICES**

OBJECTIVES: Our audit objectives are to determine whether selected contracts for goods or services were: (1) awarded in compliance with requirements of applicable laws, rules, regulations, and policies and procedures; (2) administered in an efficient, effective, and economical manner; and (3) conducted in a manner in which internal controls were in place to safeguard against fraud, waste, and abuse.

JUSTIFICATION: The Department of General Services (DGS), a newly established District agency, provides cost-effective, centralized facility management services. In October of 2011, the agency assumed the functions and responsibilities of the Department of Real Estate Services (DRES), Office of Public Education Facilities Modernization (OPEFM), and Municipal Facilities. See D.C. Code § 10-551.01. DGS' approved budget for FY 2013 is \$388 million.

The functions of DGS are broad and complex; DGS assumed the functions and responsibilities of three other District agencies. If the reorganization of these agencies was not properly planned and executed, the reorganization could encounter significant problems during the transition period (i.e., transfer of all required procurement documents and accountability for all ongoing projects from the three District agencies to DGS could become lost during transition).

The Department of General Services: (1) manages the capital improvement and construction program for District government facilities; (2) acquires real property, by purchase or lease, for use by the District government; (3) manages space in buildings and adjacent areas operated and leased by the District government; (4) provides building services for facilities owned and occupied by the District

government, including engineering services, custodial services, security services, energy conservation, utilities management, maintenance, inspection and planning, and repairs and non-structural improvements; and (5) disposes of District real and personal property through sales, leases, or other authorized methods.

NO. 33 **Office of Contracting and Procurement** **STATUS: Ongoing**

TITLE: **POST-AWARD AUDITS OF CONTRACTS FOR CONSTRUCTION MANAGEMENT**

OBJECTIVES: The primary objective of the audit is to determine whether contracting officers obtained fair and reasonable prices in the award of contracts for construction management services. A secondary objective is to review and evaluate the award of these contracts for compliance with District procurement laws and regulations.

JUSTIFICATION: Title 27 DCMR § 1626.1 requires the contracting officer to “require [contractors] to submit and certify cost or pricing data for any contract awarded through competitive sealed proposals, sole source procedures, or any change order or contract modification.” Further, 27 DCMR § 1626.1 requires the contracting officer to perform a cost analysis for the award of any contract or modification in excess of \$500,000. The primary purpose of these requirements is to determine the reasonableness of cost and profit.

One of the primary tools available to the District for executing contracts at reasonable prices is the post-award audit, which: (1) analyzes all elements of the contractor’s proposed costs estimated to be incurred in the performance of the contract; (2) assesses the reasonableness of cost and profit; (3) evaluates the contractor’s estimating system; (4) identifies unallowable and questioned cost; and (5) recommends recovery of monies or assists in the renegotiation of the contract pricing. In the case of a completed contract, an incurred cost review is performed and may result in the recovery of excessive cost and profit.

Construction management services is one of the areas where the District can realize significant benefits. Thus far in FY 2011, the District has multiple ongoing construction projects with an aggregate value of more than \$100 million. Five construction management services contracts are included in this group with a combined contract value of almost \$13 million.

NO. 34 **Office of Contracting and Procurement/
Office of the Chief Technology Officer** **STATUS: Ongoing**

TITLE: **THE INFORMATION TECHNOLOGY STAFF
AUGMENTATION (ITSA) CONTRACT**

OBJECTIVES: This is the second audit in a series of audit of the ITSA contract. The audit objectives are to determine whether the: (1) ITSA solicitation was properly competed, proposals were fairly evaluated, and the contract was properly awarded; (2) contract has yielded the projected publicized cost savings of \$5-10 million and annual resource savings of 12,000 to 18,000 hours; (3) contract has resulted in broader participation by the District's Certified Business Enterprise (CBE) contractors; (4) contract set-aside target of 95 percent of total contract dollars to be awarded to CBE vendors was met; (5) prime contractor or any of its subsidiaries or affiliated enterprises participated fairly in the "open market" or non set-aside portion of the contract; (6) prime contractor was awarded more than 5 percent of the total value of the contract, excluding the hourly service fee; and (7) OCTO program managers, contracting officer, and COTRs are effectively performing their responsibilities under the contract. These expansive audit objectives will likely be addressed in a series of audits.

JUSTIFICATION: On August 19, 2008, the D.C. government signed a contract valued at \$75 million with Optimal Services Solutions, Inc. to be the prime contractor for the provision of IT staff augmentation services to the District. The intent of the contract is to replace DC Supply Schedule contracts for IT services, and in doing so, realize significant cost savings from supply schedule prices and reduced staff requirements from OCP.

For an hourly service fee, the prime contractor's responsibilities include receiving all staff augmentation requisitions for IT services from OCTO, soliciting quotes/proposals from the participating vendors, screening proposals for compliance with requirements, and developing CBE vendor participation in the contract.

NO. 35 **Office of Contracting and Procurement** **STATUS: Start FY 2013**

TITLE: **USE OF QUALIFIED CERTIFIED BUSINESS
ENTERPRISES (CBEs)**

OBJECTIVES: The audit objectives are to determine whether: (1) CBEs have current applications and certifications for doing business with the District; (2) contract performance has been performed in compliance with laws, rules, and regulations; and (3) goods and/or services received by the District were cost-effective, efficient, and professionally delivered.

JUSTIFICATION: There are approximately 1,185 CBEs in the database maintained by OCP. Contracting opportunities range from several thousand dollars to multi-million dollar contracts. Services requested can include Information Technology, Marketing, Media and Public Information Services, Construction, Promotional and Specialty Products, Cost Estimating Services and TANF – Job Placement and Retention Services. The dollar value awarded to CBEs could easily exceed \$100 million which is just short of 10 percent of the annual \$1.2 billion the District spends for goods and services.

Effective acquisition management and project planning require a disciplined decision-making process for obtaining goods and services, as well as managing and achieving performance goals and objectives with minimal risk and reasonable cost. This audit will assist the District in obtaining full performance from CBEs.

NO. 36 **Department of General Services** **STATUS: Start FY 2013**

TITLE: **MANAGEMENT OF DISTRICT REAL
PROPERTY LEASES**

OBJECTIVES: The audit objectives are to determine whether: (1) DGS has policies, procedures, and controls in place to address the acquisition and management of leases; (2) cost-benefit analyses were performed for long-term leasing (i.e., office buildings) to ascertain whether leasing rather than buying was a better option for certain properties; (3) contractual rental rates are supported by market indicators; (4) operational pass-through costs charged by lessors are adequately supported and valid; and (5) leases are properly monitored by DGS officials.

JUSTIFICATION: DGS is the agency that oversees the District’s leasing activities. According to the District Facilities Plan for FYs 2009-2013, the District leased 2.4 million square feet of office space versus 2 million square feet of office space that the District owns. During FY 2013, the proposed rental expenses for land and structure is \$130 million. The proposed budget for DGS for FY 2013 is \$388 million.

In the past, the United States Government Accountability Office found some issues regarding the District’s leasing practices. Additionally, a prior OIG audit of rental expenditures for fixed costs in FYs 2004 and 2005 recognized that the District had been overcharged for operational costs incurred by the lessors.

NO. 37 **DC Water** **STATUS: Start FY 2013**

TITLE: **DC WATER CONTRACTING AND PROCUREMENT PRACTICES**

OBJECTIVES: The audit objectives are to determine whether: (1) contracting and procurement practices are in compliance with applicable regulations; and (2) formal policies and procedures governing procurement activities have been adopted.

JUSTIFICATION: For FY 2013, DC Water will spend approximately 20% of its operating budget to procure a variety of goods and services to support its mission and objectives. DC Water’s approved budget for Contractual Services for FYs 2012 and 2013 are \$79.0 million and \$82.4 million, respectively, and the total operating budgets are \$406,357 million and \$440,085 million, respectively. The manner by which DC Water procures goods and services could have a direct effect on water and sewage rates, which in turn affects all District residents.

NO. 38 **Multi-Agency** **STATUS: Start FY 2013**

TITLE: **CONSOLIDATED FORENSICS LABORATORY**

OBJECTIVES: The overall audit objective is to determine whether the District properly planned and managed the design and construction of a consolidated forensics laboratory. Specifically, our audit objectives are to determine whether: (1) Consolidated Forensics Laboratory contracts were awarded in compliance with applicable laws, rules,

regulations, policies, and procedures; and (2) the District received the goods and services for which it paid.

JUSTIFICATION: A contract for the construction of a 287,000 square-foot consolidated forensics laboratory valued at \$133 million was awarded in May 2009. The Consolidated Forensics Laboratory, which is estimated to be operational in 2012, will house the Metropolitan Police Department forensics laboratory, Department of Health Public Health Laboratory, and the Office of the Chief Medical Examiner.

NO. 39 **Multi-Agency** **STATUS: Start FY 2013**

TITLE: **EXPERT AND CONSULTING SERVICES**

OBJECTIVES: The audit objectives are to determine whether: (1) District agencies attempt to obtain open competition among available suppliers when awarding expert and consulting contracts, and that the District obtains fair and reasonable prices for contracted expert and consultant services; (2) District agencies benefit from these expert and consultant contracts through acceptance of useful deliverables; and (3) OCP ensures that its contracting officers and District agencies comply with procurement laws and regulations when contracting for expert and consulting services.

JUSTIFICATION: OCP contracts for expert and consulting services on behalf of District agencies to provide specialized services. However, recent audits have shown that little, if any, effective competition was obtained in awarding these high-dollar value contracts; that unusually high labor rates were paid for the services; and that it did not appear that the District obtained “best value” when it awarded these contracts. A broader review of the process for obtaining competitive awards for expert and consulting contracts could improve procurement policies and procedures and tighten internal controls over the process for awarding such contracts.

NO. 40 **Office of Contracting and Procurement** **STATUS: Start FY 2013**

TITLE: **DISTRICT OF COLUMBIA SUPPLY SCHEDULE
DISCOUNT REVENUE**

OBJECTIVES: The audit objectives are to determine whether OCP: (1) collected revenue in accordance with Procurement Practices Reform Act of

2010 (PPRA) § 411; (2) submitted the revenue to the District of Columbia Supply Schedule, Purchase Card and Training Fund; and (3) established adequate internal controls to safeguard funds against fraud, waste, and abuse.

JUSTIFICATION: Based on past audits, OCP did not adequately maintain reports on revenue generated by vendors participating in the District of Columbia Supply Schedule (DCSS). Also, OCP did not provide evidence of reconciliations performed for these reports to ensure completeness of revenue generated from the DCSS program. The District may have lost interest in monies not timely deposited.

B. Social Service Spending

Because social service programs are designed to meet some of District residents' most basic and vital needs, we plan to review the extent to which expenditures were made to maximize program efficiency and effectiveness for citizens.

NO. 41 **District Department of the Environment** **STATUS: Start FY 2013**

TITLE: **ENERGY ASSISTANCE PROGRAM**

OBJECTIVES: Our audit objectives will determine whether the District Department of the Environment (DDOE): (1) managed and used resources of the Energy Assistance and Weatherization Program (EAWP) in an effective and economical manner; (2) complied with requirements of applicable laws, rules, regulations, policies and procedures; (3) established internal controls to prevent fraud, waste, and abuse, and to safeguard the assets of the EAWP program, and (4) ensured that all EAWP beneficiaries meet residency, income, and other eligibility criteria.

JUSTIFICATION: The EAWP was established to assist low income District residents pay their heating and cooling bills. During FY 2008, DDOE distributed a total of \$19 million in energy assistance to more than 30,000 households, nearly 8,000 of which were east of the Anacostia River. DDOE obtains the program's funds from the United States Department of Health and Human Services, the District of Columbia's government, and the Reliable Energy Trust Fund. An audit of the Reliable Energy Trust Fund program would ensure monies are used for the intended purposes.

NO. 42 **Department of Health** **STATUS: Ongoing**

TITLE: **ADDICTION PREVENTION AND RECOVERY
ADMINISTRATION**

OBJECTIVES: The audit objectives are to determine whether the Addiction Prevention and Recovery Administration (APRA): (1) properly awarded sub-grants; (2) adequately monitored grants to ensure federal funds were used for intended purposes; and (3) complied with grant agreements and other rules and regulations.

JUSTIFICATION: The DOH’s APRA provides regulatory standards for the delivery of prevention and treatment services to District residents who are addicted or at risk of becoming addicted to alcohol, tobacco, and other drugs. APRA is “responsible for the development and promulgation of rules, regulations and certification standards for prevention and treatment services related to the abuse of alcohol, tobacco and other drugs” in the District in accordance with 29 DCMR § 2300.1.

NO. 43 **Department of Human Services** **STATUS: Start FY 2013**

TITLE: **SUPPLEMENTAL NUTRITION ASSISTANCE
PROGRAM**

OBJECTIVES: The audit objectives are to determine whether the DHS (1) has criteria for determining District residents’ eligibility to receive food stamps; (2) only provides benefits to eligible citizens; (3) has policies and procedures to manage the program; and (4) has policies and procedures to monitor recipient eligibility.

JUSTIFICATION: The Supplemental Nutrition Assistance Program (SNAP) is administered at the federal level by the U.S. Department of Agriculture’s Food and Nutrition Service (FNS). The District’s SNAP is housed within the DHS’s Income Maintenance Administration (IMA). The mission of the IMA is to determine the eligibility of applicants, to recertify the eligibility of recipients for federal and District-funded assistance programs, and to help heads of households receiving TANF benefits to become employed and move toward financial independence. The District’s SNAP program helps low-income residents and families buy the food they need for good health.

Approximately 141,112 District residents receive SNAP benefits in FY 2011. The average monthly benefit amounts to approximately \$142

per District resident, which totals \$229 million in SNAP benefits per year. Potential issues are able-bodied individuals with no dependents receiving benefits and ineligible individuals receiving benefits.

C. Other Spending Programs

This Issue Area includes audits within the Spending and Efficient Use of Resources Theme that do not yet have sufficient common elements to warrant a separate issue area.

NO. 44 **University of the District of Columbia** **STATUS: Start FY 2013**

TITLE: **MANAGEMENT OPERATIONS AT THE UNIVERSITY OF THE DISTRICT OF COLUMBIA**

OBJECTIVES: The audit objectives are to determine whether the University of the District of Columbia (UDC): (1) managed and used resources in an efficient, effective, and economical manner; (2) complied with requirements of applicable laws, regulations, policies, and procedures; (3) managed expenditures for executive and senior staff; and (4) implemented internal controls to prevent or detect material errors and irregularities.

JUSTIFICATION: UDC is an urban, land-grant institution of higher education with an open admissions policy. It is a comprehensive public institution offering affordable post-secondary education to students at the certificate, associate, baccalaureate, and graduate levels. The goals of these programs are to prepare students for immediate entry into the workforce, the next level of education, and specialized employment opportunities, and to promote life-long learning.

UDC budget for FY 2013 is \$169.2 million, including a level of 1,090.7 full-time equivalent positions (FTEs). The FY 2012 approved budget for UDC was \$157.9 million. UDC and its community college offer over 85 undergraduate and graduate academic degree programs. Currently, there are about 5,000 students enrolled in credit courses at the community college, flagship and graduate school. Additionally, UDC's public service arm, the Division of Community Outreach and Extension Services (COES), offers a variety of practical, nonacademic educational programs and training to the citizens of the District of Columbia.

NO. 45 **Alcoholic Beverage Regulation Administration** **STATUS: Start FY 2013**

TITLE: **ALCOHOLIC BEVERAGE REGULATION ADMINISTRATION**

OBJECTIVES: Our audit objectives are to evaluate the effectiveness of Alcoholic Beverage Regulation Administration (ABRA) internal controls over issuing licenses and permits, suspensions and revocations, collecting revenues, and records management. We will also assess whether ABRA operates in compliance with applicable laws and regulations.

JUSTIFICATION: ABRA regulates alcoholic beverage wholesalers, retailers, and manufacturers in the District of Columbia. ABRA issues licenses to liquor stores, grocery stores, brew pubs, restaurants, hotels, nightclubs, taverns, and other establishments that manufacture, sell, or serve alcoholic beverages. ABRA also inspects license holders for compliance with regulations.

The ABRA is an independent District of Columbia regulatory agency and operates under the authority of a seven-member Alcoholic Beverage Control (ABC) Board that sets policy parameters for the agency.

NO. 46 **Department of Corrections (DOC)** **STATUS: Start FY 2013**

TITLE: **DEPARTMENT OF CORRECTIONS**

OBJECTIVES: Our audit objectives are to determine whether: (1) established procedures for handling inmates are followed and efforts made are consistent with DOC's mission of protecting the public by providing a safe, secure, orderly, and humane corrections system; and (2) contracts are monitored to ensure that contract terms are met, deliverables received, and supporting documentation has been maintained.

JUSTIFICATION: The DOC's operating budget for FY 2012 was \$136 million, and according to the Mayor's Proposed Budget for FY 2013, the DOC's budget will be \$139 million.

The DOC operates the Central Detention Facility (CDF) and houses inmates in the Correctional Treatment Facility (CTF) through a contract with the Corrections Corporation of America; both facilities are accredited by the American Correctional Association (ACA). The department has contracts with four private and independently operated

halfway houses: Efforts for Ex-Convicts; Extended House, Inc.; Fairview; and Hope Village. These facilities are often used as alternatives to incarceration. Like other municipal jails, 75 to 85 percent of inmates in DOC's custody have one or more outstanding legal matters that require detention, and median lengths of stay for released inmates are 31 days or less. Ninety percent of DOC's inmates are male. DOC also houses female inmates and a small number of juveniles charged as adults at the CTF. Each facility offers inmates a number of programs and services that support successful community re-entry.

This audit will offer opportunities to: (1) improve public safety; (2) generate additional revenues; (3) reduce operating costs; and (4) ensure effective compliance with applicable laws and regulations.

NO. 47 **Metropolitan Police Department** **STATUS: Start FY 2013**

TITLE: **MAINTENANCE OF VEHICLES AT THE
METROPOLITAN POLICE DEPARTMENT**

OBJECTIVES: Our audit objectives are to determine whether MPD: (1) maintains District vehicles in a cost effective manner; and (2) implemented adequate internal controls to guard against fraud, waste, and abuse.

JUSTIFICATION: The Chief of Police of MPD, via memorandum dated June 30, 2011, identified areas of concerns that the OIG should consider for audit. Specifically, MPD indicated that the OIG should conduct an "audit of vehicle maintenance records, to ensure that warranty items are not charged."

III. DELIVERY OF CITIZEN SERVICES

We will continue to provide audit and inspection coverage of agencies responsible for delivery of essential citizen services. In FY 2013, we plan to provide audit and inspection coverage for many of the large District service organizations. The common goal of these reviews will be to improve the efficiency and effectiveness of municipal services to District residents.

Core Services

District leaders frequently have expressed concern about whether taxpayer dollars are used optimally to serve citizens' best interests in a number of areas. We share these concerns and have completed audits on housing issues, child support services (accounting for foster children), community development (Department of Housing and Community Development), and mental health (St. Elizabeths Hospital). For FY 2013, we have planned audits of several service-based organizations, including DCRA; OCTO; DOH; the Department of Employment Services; the District Department of Transportation (DDOT); and the D.C. Taxicab Commission (DCTC).

NO. 48 **Department of Employment Services** **STATUS: Start FY 2013**

TITLE: **UNEMPLOYMENT COMPENSATION PROGRAM**

OBJECTIVES: The audit objective is to evaluate the Department of Employment Services (DOES) unemployment compensation program's policies and procedures to ensure sufficient controls are in place to prevent fraud, waste, and abuse in the disbursement of unemployment compensation payments.

JUSTIFICATION: DOES fosters and promotes the welfare of job seekers and wage earners by advancing opportunities for employment, helping employers find workers, tracking changes in employment and other national economic measurements impacting the District of Columbia, and improving employee working conditions. DOES provides a comprehensive menu of workforce development services funded through a combination of federal grants and local appropriations. DOES' workforce bureau provides job seekers with workforce development and training programs that create conduits to job readiness, new jobs, or new educational opportunities.

Subtitle A. *See* 25-A DCMR § 4720.1. The District of Columbia should ensure that all food establishments are inspected and that health and safety rules are not violated.

NO. 50 **Homeland Security and Emergency Management Agency (HSEMA)** **STATUS: Start FY 2013**

TITLE: **HSEMA'S EMERGENCY PLANS AND STRATEGIES**

OBJECTIVES: The audit will evaluate the effectiveness of the HSEMA's operations in providing 24-hour emergency assistance to the public in order to save lives and protect property in the District of Columbia by: (1) mobilizing and deploying emergency services personnel and resources; (2) updating emergency operation plans and strategies; (3) training emergency personnel; (4) informing the public of impending emergencies and disasters; and (5) testing its own recovery plans.

JUSTIFICATION: This audit will determine whether the agency is effectively accomplishing its mission by managing the District's emergency operations to prevent, respond to, and recover from both natural and man-made disasters. We will test procedures in place to document and test disaster recovery plans to ensure that: (1) District-wide emergency efforts would not be hindered if the agency is rendered inoperable by disasters; and (2) risk exposures to the confidentiality, integrity, and availability of the District's mission-critical and sensitive information are significantly minimized.

NO. 51 **Department of Health** **STATUS: Start FY 2013**

TITLE: **DISTRICT OF COLUMBIA RODENT CONTROL PROGRAM**

OBJECTIVES: Our audit objectives are to determine: (1) the effectiveness of the rodent control program; and (2) compliance with requirements of applicable laws, rules, regulations, policies, and procedures.

JUSTIFICATION: The Department of Health (DOH) has established a comprehensive, sustainable and responsive rodent control prevention program. The program is responsible for the control and elimination of rodents in public spaces and private property if residents obtain appropriate documentation (i.e., signed petitions). Also, the rodent control program conducts surveys of locations, as well as coordinates outreach and

education awareness for residential and commercial neighborhoods. Abatement efforts utilize registered products to bait rodents in outdoor burrows on public property.

D.C. Code § 8-2103.05(a)(b) prohibits practices that provide rodent habitats and specifies procedures for abating rodent infestations and person(s) in violation of §8-2103.05(a)(b) could be fine up to, but not to exceed \$10,000 for each infraction.

NO. 52 **D.C. Taxicab Commission** **STATUS: Start FY 2013**

TITLE: **D.C. TAXICAB COMMISSION**

OBJECTIVES: Our audit objectives are to determine whether: (1) internal controls at the DCTC were adequate to ensure that licenses were issued in accordance with applicable District laws, rules, and regulations governing the operation of taxicabs; (2) correct fees were collected, deposited, and recorded; and (3) background checks for drivers and operations personnel were performed.

JUSTIFICATION: DCTC’s mission is to ensure that the public receives safe and reliable transportation by taxicab and other means of transportation, to include limousines, sightseeing vehicles, and private ambulances.

DCTC provides a wide assortment of information about taxicab and limousine services in the District of Columbia and surrounding areas. DCTC fulfills its mission through regulation, oversight, and enforcement of the public vehicle-for-hire industry. DCTC conducts its operations through two advisory panels– a nine-member commission and the Office of Taxicabs. The proposed FY 2013 budget for DCTC is \$1.9 million. DCTC is budgeted at 22 full-time employees.

NO. 53 **DC Water** **STATUS: Start FY 2013**

TITLE: **DC WATER RESIDENTIAL METERS**

OBJECTIVES: The audit objectives are to determine whether: (1) District water consumption is metered, monitored, and billed in accordance with approved rates/tariffs; (2) water meters accurately record consumption; (3) non-revenue water or unaccounted for water is reasonable; (4) procedures and controls over customer service, leak detection programs, fees, collection, and compliant resolution are operating effectively and

efficiently; and (5) internal control processes are in place to detect and prevent fraud, waste, and abuse.

JUSTIFICATION: In 2011, the District of Columbia Water and Sewer Authority (DC WASA) initiated a rebranding campaign and is now known as DC Water. DC Water provides retail water and wastewater (sewer) service to nearly 600,000 residents, 16.6 million annual visitors, and 700,000 employees in the District of Columbia. DC Water's service area is approximately 725 square miles. For FY 2012, DC Water had proposed a 10 percent water and sewer rate increase for District residential customers. Its proposed budget for FY 2013 is \$457 million, which represents a 8.1 percent (\$34 million) increase over its FY 2012 approved budget.

The effectiveness and efficiency of DC Water's customer service and revenue processes, including metering, billing, and maintaining an active leak detection program to reduce non-revenue water loss, have a direct impact on water and sewage rates charged to District residents.

NO. 54 **D.C. Fire and Emergency Medical Services Department (FEMS)** **STATUS: Start FY 2013**

TITLE: **MANAGEMENT OPERATIONS AT D.C. FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT**

OBJECTIVES: The audit objectives are to determine whether FEMS: (1) managed and used resources in an efficient and effective manner; (2) complied with requirements of applicable laws, regulations, policies, and procedures; and; (3) implemented internal controls to prevent or detect material errors and irregularities.

JUSTIFICATION: The FEMS FY 2013 proposed budget is \$199 million which includes 2,130 FTEs. Officials from FEMS provided the following suggestions for review: (1) feasibility of allowing collected fees to be input in the operating budget and disbursed to meet operating needs; (2) fees charged for personal services and non-personal services; (3) memorandum of understanding (MOU) processes between intra-agency fund transfers; and (4) verification of monies collected for services to ensure proper handling.

NO. 55 **Multi-Agency** **STATUS: Ongoing**

TITLE: **TRIENNIAL FOLLOW-UP OF AGENCY
IMPLEMENTATION OF RECOMMENDATIONS**

OBJECTIVES: The audit objectives are to determine whether District agencies have: (1) implemented agreed-to recommendations for corrective actions on reported control deficiencies; and (2) actually corrected reported deficiencies.

JUSTIFICATION: The Comptroller General’s Government Auditing Standards emphasize the importance of follow-up on significant findings and recommendations from prior audits to determine if corrective actions have been implemented. Based on this standard, coupled with the importance that we place on implementation of audit recommendations, we have included a performance measure to track audit recommendations so that we can assess the progress of corrective actions. Audit recommendations do not produce the desired outcomes unless they are implemented. The results of this audit will be used to establish our performance measure target baseline. This triennial audit will cover FYs 2008, 2009, and 2010.

Our 2005 triennial follow-up audit identified that District agency officials reported to the OIG that actions had been completed to address 259 of 337 (77 percent) recommendations reviewed. Our 2008 audit revealed agency officials reporting that actions had been completed to address 321 of 363 (88 percent) recommendations reviewed.

NO. 56 **Department of Public Works** **STATUS: Start FY 2013**

TITLE: **FLEET MANAGEMENT ADMINISTRATION**

OBJECTIVES: The audit objectives are to determine whether the Department of Public Works (DPW): (1) complied with Fleet Management Administration (FMA) policies and procedures in carrying out its responsibilities; and (2) implemented adequate internal controls to guard against fraud, waste, and abuse.

Specifically, we will determine whether FMA maintenance and repair billing rates are accurate, fair, reasonable, and sufficient to cover costs. Additionally, we will determine whether adequate controls exist over fuel inventory in all fuel sites managed by DPW.

JUSTIFICATION: FMA supports all city services by procuring and maintaining more than 3,000 vehicles, excluding those used by MPD, FEMS, DOC, and DCPS. This division fuels all 6,000 District government vehicles, including school buses, fire and trash trucks, and street sweepers. The FY 2013 proposed budget for FMA is \$18.7 million.

IV. SUPPORT SERVICES

A. Information Systems

An information technology (IT) audit is an examination of the controls within an entity's IT infrastructure. The IT audit focuses on determining risks that are relevant to IT assets or IT areas, and assessing controls in order to reduce or mitigate these risks. The OIG has the following six classifications for its IT reviews:

- (1) IT Enterprise Management and Governance Review - Includes a review of the leadership and staff, plans, policies, procedures, and standards employed to manage the IT environment.
- (2) Data Facility/General Control Review - A review of the controls over the processing environment of an IT facility. Generally, the review includes the following: (a) management; (b) operational policies, procedures, and standards; (c) environmental controls; (d) physical/logical security administration; (e) change management; (f) contingency planning; and (g) systems development life cycle (SDLC) management.
- (3) Application Control Review - A review of relevant operational controls and inherent application controls that support the functions surrounding the collection, input, processing, and output of data supporting a business process.
- (4) Systems Development Life Cycle Review - A review conducted to determine whether management has followed a rational and structured project management structure, replete with effective incremental control mechanisms, for system development projects.
- (5) Support Infrastructure Review - Includes, but is not limited to, a review of periphery and support IT and IT-related infrastructures, for example: (a) Wide Area Networks; (b) Local Area Networks; (c) databases; (d) e-mail systems; and (e) telecommunication systems and networks.
- (6) Service Level Agreements and Contracts - Reviews undertaken to determine the feasibility of contracting for IT and IT-related services.

NO. 57 **Multi-Agency** **STATUS: Start: FY 2013**

TITLE: **SYSTEMS REVIEW OF THE CHILD WELFARE SYSTEM**

OBJECTIVES: Our audit objectives are to assess the application controls within the D.C. child welfare computerized management system, known as FACES, to determine whether these controls provide for: (1) accuracy; (2) authorization; (3) maintenance; (4) completeness; and (5) storage of data.

JUSTIFICATION: The communication of and access to information among all pertinent parties involved with the child welfare system affect not only the children in the system, but also the families of these children and the service workers who must provide efficient and necessary services. The lack of reliable and accurate information used by child welfare workers puts the safety and security of District foster care children at risk.

NO. 58 **Multi-Agency** **STATUS: Start FY 2013**

TITLE: **DISTRICT DATA FACILITY REVIEWS**

OBJECTIVES: The audit objective is to determine the adequacy of general controls at selected data centers. We will review the management structures and general controls, such as: (1) administrative organization and structure; (2) operational policies, procedures, and standards; (3) human capital management; (4) environmental controls; (5) physical/logical security administration; (6) problem management; (7) configuration management; (8) cost management; (9) disaster recovery planning; (10) SDLC management; and (11) business resumption planning.

JUSTIFICATION: Data centers are the hub of many of the District's IT services and house many of the District's critical business and program applications. This review will provide the District with assurances that critical business applications, data, and services are adequately administered and protected.

actionable and enforceable; and (4) effectively train responsible employees in handling sensitive data. These outcomes minimize both legal and reputational risks associated with breaches of District employees' privacy rights.

NO. 61 **Office of the Chief Financial Officer** **STATUS: Ongoing**

TITLE: **APPLICATION CONTROL REVIEW OF
THE INTEGRATED TAX SYSTEM**

OBJECTIVES: The overall objectives are to review: (1) application controls over the ITS; and (2) the adequacy of internal controls over supporting operational processes.

JUSTIFICATION: Tax collections generate the bulk of revenue to finance District operations paid from the General Fund. The efficiency of the tax collection automated systems and the effectiveness of policies, procedures, and internal controls determine whether the District is maximizing collection of taxes due the city.

Charges filed against employees in the OTR's highly publicized property tax refund scandal, as well as other employees in the same office charged in a separate phony refund scheme illustrate vulnerabilities where employees exploited weaknesses in the automated tax system and manual processes to obtain refunds illegally. In response to these fraudulent activities, OCFO officials claim that they have implemented a new system of checks and balances. The importance of application controls is manifest in the fact that the ITS processes billions of dollars in taxes each year. This audit will examine adequacy of controls in ITS and the supporting processes.

NO. 62 **Department of Motor Vehicles (DMV)** **STATUS: Start FY 2013**

TITLE: **APPLICATION CONTROL REVIEW OF
THE DMV ONLINE SERVICES SYSTEM**

OBJECTIVES: This audit will determine whether adequate operational and application controls exist over the DMV online system and whether the system is performing as intended.

JUSTIFICATION: DMV's online services allow motorists to perform several driver and vehicle transactions via the Internet. Using these online services, D.C.

The approved budget for D.C. Net in 2009 was \$4.5 million, according to OCFO's Proposed Budget and Financial Plan for the District. In 2009 the actual expenditure amounted to \$11 million, which amounted to 12 percent of OCTO's total actual operating budget for the year. In 2010, the approved budget was \$7.7 million, with an actual expenditure of \$13.7 million, or 16 percent of the agency's total annual budget. In 2011, the approved budget was \$11.9 million, with an actual expenditure of \$19.3 million, or 26 percent of the agency's total annual budget. The approved FY 2012 budget for D.C. Net is \$18.3 million.

On May 7, 2010, during OCTO's budget hearing, a council member voiced the concern regarding possible duplication of efforts by both D.C. Net and Verizon. Currently, D.C. Net has laid an intricate network of fiber-optics throughout the District enabling District governmental agencies to have Internet connectivity. Verizon is also in the process of laying FiOS throughout the District per a contract with the D.C. Government. Due to high dollar expenditures, the large amount of federal funding, as well as the Council's expressed concern, this audit would assess whether there is any duplication, and therefore inefficiency, between D.C. Net and Verizon FiOS efforts to establish Internet connectivity throughout the District.

NO. 65	Multi-Agency	STATUS: Start FY 2013
TITLE:	DISASTER RECOVERY AND CONTINGENCY PLANNING FOR DISTRICT FINANCIAL SYSTEMS	
OBJECTIVES:	The audit objectives are to assess the current status of the District's disaster recovery plan, placing particular emphasis on whether the plan has been consistently updated to reflect the current state of financial systems, and that the plan is being distributed to all disaster recovery team members. We will also determine whether: (1) there are defined locations from which the District's disaster recovery plan is to be executed to ensure continuity of financial operations and systems; and (2) the plan has been periodically tested and revised or adjusted based on the results of testing.	
JUSTIFICATION:	The District's core financial systems process tax information, account for the city's financial activities, maintain data for citizen services, and interface with other major District systems and applications. As the nation's capital and a major city, the District must be prepared to protect and ensure the continuity of its business operations in the event	

of a major catastrophe or terrorist attack affecting the city's infrastructure, including its financial systems. A business continuity plan focuses on minimizing the risks associated with potential business failures and maintaining public services. A sound business continuity plan safeguards each District agency's ability to produce a minimum acceptable level of outputs and services in the event of failures to process internal or external mission-critical information. This audit will evaluate how well the District is prepared to maintain continuity of business operations and citizen services should a significant event occur.

NO. 66 **Multi-Agency** **STATUS: Start FY2013**

TITLE: **INFORMATION TECHNOLOGY SECURITY ENVIRONMENT**

OBJECTIVES: The overall objectives of the audit are to determine whether District agencies have (1) Information Technology (IT) security standards; (2) adequate physical and logical access security controls based on industry standards; and (3) complied with applicable IT security laws, regulations, notices, policies, and procedures.

JUSTIFICATION: District agencies responsible for confidential or non-public data are required to implement sufficient IT security controls to prevent unauthorized access to sensitive electronic data. In general, access control is used to protect things perceived to be of value. These controls may take many forms of physical and logical mechanisms, with a common goal of alleviating unauthorized access. Access badges, passwords, personal identification number (PIN) numbers and encryption techniques have become basic mechanisms for limiting access to high-risk areas, sensitive information, and personal data.

The OCTO Information Security Program states, "All employees and contractors of the District of Columbia government are responsible for protecting information assets. Agency directors must ensure the appropriate personnel within their organizations classify the sensitivity of the information within their purview; identify, define, and grant access to information assets; and adequately protect the information within their assigned area of management control. Agency directors are also responsible for protecting access to information by non-employees with whom they are conducting business. Agency directors

government by systematically holding agencies accountable for achieving program goals; (2) initiate program performance reform with a series of pilot projects in setting program goals, measuring program performance against those goals, and reporting publicly on their progress; and (3) improve District program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction. Previous OIG audits found a need to improve performance measurement at District agencies. The Office of the City Administrator continues to place a high priority on this area.

NO. 68 **Department of Public Works** **STATUS: Start FY 2013**

TITLE: **CONTROLS OF OVERTIME AT THE
DEPARTMENT OF PUBLIC WORKS**

OBJECTIVES: The overall audit objective will be to determine whether overtime payments were legitimate and adequately supported. We will also determine whether DPW has controls in place and established governing criteria to report and monitor overtime.

JUSTIFICATION: Officials from DPW requested that the OIG conduct an audit of overtime usage within the Solid Waste Management Administration. Over the past 3 years, there have been two audits conducted. As a result of those audits, overtime usage concerns were found and documented. DPW officials have stated that they are committed to improving the method by which DPW administers and monitors overtime, and would welcome process improvements that could be provided from an additional review conducted by the OIG.

NO. 69 **Multi-Agency** **STATUS: Start FY 2013**

TITLE: **ETHICS AWARENESS AND TRAINING FOR
DISTRICT EMPLOYEES AND PROSPECTIVE
CONTRACTORS**

OBJECTIVES: The objectives are to evaluate: (1) awareness of and adherence to ethics laws governing District employees, former employees, and contractors; and (2) the sufficiency of ethics training provided to city employees and other controls designed to ensure District employees are sufficiently aware of ethics responsibilities and prohibitions in District business relationships.

JUSTIFICATION: A recent audit of a DCPS development arrangement/contract with a non-profit corporation identified a lack of awareness by DCPS educators, former educators, and contracting professionals with regard to District ethics laws and regulations. Further, several other audits have also disclosed questionable ethics practices by District employees. We believe a review of District ethics policies and a survey of ethics awareness practices within the District may disclose a need to tighten controls and rules governing employee activities and demonstrate the need to heighten ethics awareness and training.

NO. 70 **Metropolitan Police Department** **STATUS: Start FY 2013**

TITLE: **METROPOLITAN POLICE DEPARTMENT (MPD)
OVERTIME EXPENDITURES RESULTING FROM
MANDATED COURT APPEARANCES**

OBJECTIVES: The audit objectives are to determine whether: (1) large overtime expenditures are the result of the Court Automated Notification System (CANS); (2) requests from the United States Attorney's Office for MPD officers to appear in court were necessary; and (3) the CANS is operating in an efficient and economical manner.

JUSTIFICATION: One of the 10 largest local police agencies in the United States, MPD is the primary law enforcement agency for the District of Columbia. During FY 2012, MPD had an approved budget of \$478 million. Within that budget, \$29 million was approved for overtime. There are concerns that often times CANS requests for officers to appear in court were merely for administrative matters, which resulted in officers earning overtime, yet being unavailable to provide police protection for the residents of and visitors to the District.

NO. 71 **Department of Employment Services** **STATUS: Start FY 2013**

TITLE: **WORKFORCE INVESTMENT PROGRAMS**

OBJECTIVES: The audit objectives are to determine whether: (1) DOES, in relation to the Workforce Investment Program, used federal, private, and District funds for their intended purposes; (2) DOES implemented internal controls to ensure proper accountability and control of funds;

and (3) District residents benefited from the Workforce Investment Program in accordance with agency goals and program objectives.

JUSTIFICATION: The DOES proposed budget for FY 2013 is \$122 million, which consists of local, special purpose, federal, private, and District funds. The audit will seek to identify whether District residents are benefiting from the Workforce Investment Program.

NO. 72 **Department of Employment Services** **STATUS: Start FY 2013**

TITLE: **ENFORCEMENT OF THE FIRST SOURCE EMPLOYMENT AGREEMENT ACT**

OBJECTIVES: The overall audit objective is to determine whether DOES is adequately enforcing the First Source Employment Agreement Act.

JUSTIFICATION: The First Source Employment Agreement Act (D.C. Law 5-93; D.C. Code § 2-219.01), which was enacted in 1984, gives priority to qualified D.C. residents for employment in jobs created by municipal financing. Due to failure in its implementation, the Council passed D.C. Law No. 19-89, the Workforce Intermediary Establishment and Reform of First Source Amendment Act of 2011. The law strengthens requirements and adds penalties for those who fail to meet them. However, implementation may prove to be a challenge.

According to *The Washington Post* article entitled “New Hiring Rules Spark Outrage among District Contractors,” dated March 25, 2012, the contracting industry and labor leaders continue to debate as DOES determines how best to implement the new rules given a shortage of skilled workers in the District.

Statistics provided by the United States Bureau of Labor on employment in the District reveal that more than 32,000 D.C. residents remain unemployed, making the unemployment rate 9.3% for the period ending May 2012. Statistics indicate that the District has about 600,000 residents and 700,000 jobs, and that non-District residents occupy more than half of the jobs. The District continues to lose franchise income and revenue as a result of non-compliance.

disabilities were afforded access to the same education as their nondisabled peers. The act required states to develop and implement policies addressing the education of students with a broad range of disabilities. The act was amended and reauthorized in 1990 (20 U.S.C. § 1400) and in 1997 (Pub. L. No. 105-17) and codified under the Individuals with Disabilities Education Act of 1997 (IDEA).

D.C. Code § 1-301.115(a)(3)(J) (Supp. 2011) requires the OIG to review and determine the accuracy of certifications made to OCFO from attorneys in special education cases brought under the IDEA. These audits are to be conducted during each fiscal year.

NO. 77 **Department of Consumer and Regulatory Affairs** **STATUS: Start FY 2013**

TITLE: **PROFESSIONAL ENGINEERS' FUND**

OBJECTIVES: The overall audit objectives are to determine whether: (1) the Professional Engineers' Fund was maintained in accordance with the D.C. Code; and (2) engineer fees were properly accounted for and expended during the fiscal year.

JUSTIFICATION: This audit is performed pursuant to D.C. Code § 47-2886.13(d) (2011). Section 47-2886.13(d) states, in pertinent part: "For the purpose of any contemplated investigation or audit by the Inspector General, the Office of the Inspector General shall have free access to the books of account, records, and papers of the Board." Section 47-2886.02(6) defines "Board" as "the District of Columbia Board of Registration for Professional Engineers."

NO. 78 **Washington Metropolitan Area Transit Commission** **STATUS: Start FY 2013**

TITLE: **WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION**

OBJECTIVES: The overall audit objective is to perform a financial statement review of the Washington Metropolitan Area Transit Commission (WMATC) for the year ended June 30, 2012.

JUSTIFICATION: Pursuant to an agreement among the District, Maryland, and Virginia, the District is required to perform an audit of the WMATC every 3-years, alternating with Maryland and Virginia.

VI. DISTRICT OF COLUMBIA EDUCATION PROGRAMS

The cost of operating the District of Columbia Public Education System for FY 2013 will exceed \$1 billion. Included in this budget authority is about \$812 million for DCPS, \$110 million for non-public tuition programs managed by the Office of the State Superintendent of Education (OSSE), and \$92 million for special education student transportation. The audits of District of Columbia Education Programs (DCEP) included in our Plan for FY 2013 represent suggestions made by elected officials, DCPS officials, and our research of previous audits addressing various education issues. In evaluating a variety of school issues, our intention is not to merely arrive at technical solutions to complex problems, but to provide DCEP officials and educators with the tools to make sufficiently sound decisions and effect positive improvements.

NO. 79 **District of Columbia Public Schools** **STATUS: Start FY 2013**

TITLE: **DISTRICT OF COLUMBIA PUBLIC SCHOOL HIRING PRACTICES**

OBJECTIVES: Our audit objectives are to determine whether: (1) DCPS has policies and procedures in place to address agency hiring practices; (2) controls are in place to ensure that applicants hired are qualified for the position; and (3) DCPS complied with applicable laws, regulations, and policies and procedures when hiring personnel, as it relates to background checks, drug, and alcohol testing.

JUSTIFICATION: DCPS has independent hiring authority and follows its own set of policies and guidelines for hiring personnel. The agency should ensure that it hires personnel based on qualifications, in accordance with its hiring requirements. DCPS proposed operating budget for FY 2013 is \$811,841,563. The agency employs approximately 8,000 personnel and serves over 45,000 students.

D.C. Code § 1-620.32 requires DCPS employees who work in safety-sensitive positions to undergo mandatory drug and alcohol testing. According to a *Washington Examiner* article, dated May 6, 2012, “DCPS not drug testing employees as required,” DCPS has neither implemented mandatory drug and alcohol screening of more than 8,000 DCPS employees, nor finalized the policy and procedures necessary to implement testing of DCPS appointees and employees.

This audit will determine whether DCPS has adequate controls in place to ensure that qualified applicants are selected for positions within DCPS and whether DCPS complied with applicable laws.

NO. 80 **District of Columbia Public Schools** **STATUS: Start FY 2013**

TITLE: **PROCUREMENT PRACTICES AT DCPS**

OBJECTIVES: Our audit objectives are to evaluate the effectiveness and efficiency of DCPS' procurement process, and to assess the adequacy of internal controls in place for acquiring the goods and services needed to support education programs. This audit will be conducted in a series of phased reviews of specific segments of the DCPS procurement program, focusing on such issues as contracting procedures; adequacy of competition, deliverables, and payment processes; contract administration; and other procurement areas.

JUSTIFICATION: Previous OIG audits have indicated poor contracting practices, costly errors, and waste within the District government. With limited resources already impacting the ability to acquire needed supplies and services, an efficient and effective procurement program will maximize and better utilize limited procurement dollars for educational needs. We believe that a series of audits that focus on key segments of the procurement process will best address the issues in a narrower vein so that systemic problems and solutions can be identified to create permanent changes and more efficient use of resources. An inadequate or poorly administered procurement process could result in unauthorized procurements, unqualified vendors receiving awards, non-receipt of vital goods and services, and unnecessary waste of tax dollars.

NO. 81 **District of Columbia Public Schools** **STATUS: Start FY 2013**

TITLE: **CONSULTING SERVICES CONTRACTS**

OBJECTIVES: Our audit objectives are to determine whether DCPS: (1) managed and used resources for contracted consultant services in an efficient and effective manner; (2) complied with requirements of applicable laws, and procurement regulations, policies, and procedures; and (3) implemented internal controls in its contracting processes to safeguard against waste, fraud, and abuse.

JUSTIFICATION: The Chancellor for DCPS has procurement authority independent of OCP. The DCPS Office of Contracts and Acquisitions (OCA) is responsible for awarding contracts on behalf of the Chancellor. OCA oversees a wide range of acquisitions from school supplies to computers. Consulting services contracts are included in the range of acquisitions that OCA oversees. Although DCPS has independent procurement authority, DCPS has elected to adhere to Title 27 of the DCMR in lieu of establishing its own procurement regulations.

Due to a recent audit, several concerns have been raised as to whether DCPS contracts for consulting services in the most efficient and effective manner.

NO. 82 **Office of the State Superintendent of Education** **STATUS: Start FY 2013**

TITLE: **SPECIAL EDUCATION PROGRAMS**

OBJECTIVES: The audit objectives are to determine the extent of the Office of the State Superintendent of Education (OSSE)'s Special Education monitoring, oversight, and corrective actions established for: (1) proper eligibility identification of special education students; (2) adequate internal controls over payments for special education services; (3) accurate and complete tracking of demographic, academic, financial, and other descriptive information on enrolled special education students; and (4) compliance with the District and federal regulations governing the special education program.

JUSTIFICATION: OSSE's Special Education Program operates at a total cost to taxpayers of about \$129 million a year. For FY 2013, the budgeted costs associated with the \$129 million are: (1) \$91 million for transportation; and (2) \$38 million for program administration. Approximately \$8 million of the program administration's budget is allocated to responsibilities associated with adherence to the Blackman-Jones Consent Decree and Alternative Dispute Resolution (ADR) agreements related to federal civil class actions No. 97-1692 and 97-2402, *Mikeisha Blackman, et al., v. District of Columbia*. On September 3, 2008, *The Washington Post* reported that the District could not meet the needs of its 10,997 special education students, including those in public charter schools, due to missing records, poor communication, lengthy delays in the placement of students in special education programs, and responsible District officials being distracted by numerous other reform efforts.

NO. 83 **District of Columbia Public Schools** **STATUS: Start FY 2013**

TITLE: **GRANT REVENUE**

OBJECTIVES: The audit objectives are to determine whether the District has the infrastructure in place to actively identify grant opportunities for DCPS and abide by the requirements of existing grant agreements to avoid loss of grant funding.

JUSTIFICATION: The Office of Partnerships and Grants Development (OPGD), which is a part of the Executive Office of the Mayor, serves as the clearinghouse for all D.C. government grant opportunities. The DCPS Office of Federal Grants Programs (OFGP) secures and administers grant funding to support local education agencies (LEAs). The funding is utilized to enable the states and the LEAs to design, develop, and implement programs that will eliminate achievement gaps and improve student learning. According to OFGP officials, the OFGP regularly works with the OPGD to review grant opportunities identified by OPGD. The OFGP currently has three grant writers who develop grants for OSSE. For school year 2006-2007, DCPS received \$117.8 million in federal grant funds. The issue of DCPS grants management arose as a significant issue in the FY 2006 CAFR wherein the U. S. Department of Education declared DCPS a “high risk” entity. This declaration has the potential for DCPS to lose or have severe restrictions imposed on its grant funding.

VII. PRIOR PERFORMANCE AUDITS

There are over 70 agencies within the District of Columbia government that are subject to audit by the OIG. Since its inception, the OIG Audit Division has performed audits of District agencies, programs, functions and activities where risks and deficiencies were identified, including waste, fraud, abuse and general lack of internal controls with recommendations for correction or improvement. The OIG has initiated a directorate to conduct follow-up audits of prior performance audits to ensure that the District government and its residents realize the full benefit of the findings and recommendations concerning cost savings; revenue enhancements; effective internal controls; improved processes; compliance with laws and regulations; and overall efficiency and effectiveness of District agencies, programs, funds, functions and activities.

NO. 84 **Fire and Emergency Medical Services** **STATUS: Ongoing**

TITLE: **DEPARTMENT OF FIRE AND EMERGENCY MEDICAL SERVICES' ADMINISTRATION OF AMBULANCE BILLING CONTRACTS**

OBJECTIVES: The objectives of this audit are to follow-up on actions taken by FEMS, OCFO, and OCP in response to OIG Audit No. 07-2-31FB, issued on March 23, 2009. The objectives also include determining whether FEMS and OCP are in compliance with procurement laws, regulations, and policies for awarding medical billing contracts.

JUSTIFICATION: A prior audit of the Department of Fire and Emergency Medical Services' Administration of Ambulance Billing identified significant deficiencies. Recommendations to correct the systemic issues identified in the prior audit include: (1) integrating business-related activities into FEMS' mission to provide assurance that key business functions have adequate oversight and accountability (2) recruiting and training staff to operate and maintain operational areas such as contract management, research and evaluation, and fiscal operations; (3) collaborating with OCP when contracting for services, to include a review of contract terms to ensure that the best interests of the District are met; (4) providing effective oversight for employees operating in COTR positions by scheduling monthly meetings to provide management with the status of ongoing contracts; and (5) establishing policy to monitor industry best practices to ensure that the District is providing emergency transport services that are reasonably priced. The FY 2013 proposed budget for FEMS is \$199 million.

NO. 85 **Office of the Chief Financial Officer** **STATUS: Start FY 2013**

TITLE: **MOTOR FUEL SALES AND TAX PROCESS**

OBJECTIVES: The overall objective of this audit is to determine whether OCFO and DDOT have implemented agreed-to recommendations that were intended to correct reported deficiencies. In addition, we will evaluate the adequacy of the process for processing, recording, and collecting motor fuel taxes.

JUSTIFICATION: The motor fuel tax is an excise tax imposed primarily on importers (wholesale businesses) of motor fuels, including gasoline, diesel fuel, benzoyl, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases, and all combustible gases and liquids suitable for the generation of power for motor vehicles. D.C. Code § 47-2301(a) states that the District's motor fuel tax rate is 23.5 cents per gallon on motor vehicle fuels within the District of Columbia, sold or otherwise disposed of by an importer or by a user, or used for commercial purposes.

Our past audit OIG No. 09-2-02KA, issued on July 23, 2009, identified that importer motor fuel tax liabilities have gone uncollected for more than 6 years. As a result, we identified uncollected motor fuel tax revenues of about \$733,000 for 6 years. Also, the District did not implement previously agreed to recommendations and, therefore, lost interstate bus tax revenues totaling at least \$2.3 million over the last 11 years (\$229,000 annually) by not participating in the International Fuel Tax Agreement managed by the International Fuel Tax Association.

NO. 86 **District of Columbia Housing Authority** **STATUS: Start FY 2013**

TITLE: **HOUSING CHOICE VOUCHER PROGRAM**

OBJECTIVES: The objectives of the audit are to determine whether: (1) recommendations addressed in prior audits of the housing program (Management of the District of Columbia Housing Authority, OIG 01-2-25PH(a, b, and c)) have been implemented; (2) participants in the program met qualifications, criteria, and guidelines for housing assistance; and (3) adequate controls exist to prevent fraud, waste, and abuse within the program.

justifying the awards, which caused the cost to escalate by approximately \$6.4 million.

NO. 88 **Department of Employment Services** **STATUS: Start FY 2013**

TITLE: **DEPARTMENT OF EMPLOYMENT SERVICES’
SUMMER YOUTH EMPLOYMENT PROGRAM**

OBJECTIVES: The objectives of this audit are to follow-up on actions taken by DOES in response to OIG Audit No. 08-2-28CF and determine whether DOES: (1) operated the Summer Youth Employment Program (SYEP) in an efficient, effective, and economical manner; and (2) implemented adequate internal controls to safeguard against fraud, waste, and abuse.

JUSTIFICATION: SYEP is a locally funded initiative that provides District youth ages 14 to 21 with enriching and constructive summer work experiences through subsidized placements in the private and government sectors. Through the SYEP, eligible youth are given the opportunity to: (1) earn money and gain meaningful work experience; (2) learn and develop the skills and commitment to succeed in today’s world; and (3) gain exposure to a diverse range of careers in various industries. The SYEP’s proposed budget for FY 2013 is \$11.3 million.

A previous audit of the SYEP identified lack of oversight and inadequate controls to prevent cost overruns, waste, fraud, and abuse. For instance, the original SYEP budget for FY 2008 was \$21 million; however, widespread problems caused the cost to escalate to \$52 million, representing a cost overrun of \$31 million (261 percent). The audit also identified that 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. Several media reports continue to point out cost overruns and lack of oversight of the SYEP.

NO. 89 **Department of Public Works** **STATUS: Start FY 2013**

TITLE: **DEPARTMENT OF PUBLIC WORKS FLEET
MANAGEMENT OF INVENTORY, USAGE, AND
MAINTENANCE OF DISTRICT VEHICLES AND
BILLING PRACTICES**

OBJECTIVES: The audit objectives are to determine whether the DPW FMA has: (1) established a system to identify, record, and classify actual direct and indirect cost of operations needed to determine the fully burdened shop labor rate and markups on fleet services; (2) revised and complied with policies and procedures for calculating billing rates; and (3) instituted adequate internal controls to ensure data accuracy, and monitoring of mechanic compliance with log-in and log-out requirements.

JUSTIFICATION: FMA supports all city services by procuring and maintaining more than 3,000 vehicles, excluding those used by MPD, FEMS, DOC, and DCPS. This division fuels all 6,000 District government vehicles, including school buses, fire and trash trucks, and street sweepers. FMA's objective is to ensure that at least 95 percent of mission critical equipment will be available to all agencies, while reducing the environmental impact of the District's fleet. The FY 2013 proposed budget for the FMA is \$18.7 million.

Past audits identified the following deficiencies: (1) FMA could not adequately support the fully burdened shop labor rates for maintenance services and markups on parts and other services provided by the vehicle acquisition department; and (2) FMA officials did not comply with policies and procedures related to calculating billing rates for fleet services. A follow-up audit will determine whether DPW has implemented corrective actions to address the reported findings.

NO. 90 **Office of Risk Management** **STATUS: Start FY 2013**

TITLE: **DISTRICT OF COLUMBIA EMPLOYEE DISABILITY
COMPENSATION PROGRAM**

OBJECTIVES: The objectives of this audit are to follow-up on District of Columbia Office of Risk Management (ORM) actions taken in response to OIG Audit No. 06-1-07BG, and determine whether ORM is providing adequate oversight of the Third Party Administrator (TPA) to ensure effective and efficient management of employee disability compensation claims.

JUSTIFICATION: ORM oversees the management and operation of the Public Sector Workers' Compensation Program with the help of TPA Sedgwick CMS. The OIG will conduct a follow-up audit of the District of Columbia Employee Disability Compensation Program because a prior audit of the agency identified significant deficiencies including lack of oversight and potential for fraud, waste, and abuse. ORM's lack of oversight of the TPA increased program costs by as much as \$3.3 million annually because the TPA failed to review and monitor claims for continued eligibility; perform timely follow-up and appropriate case management actions; and conduct supervisory reviews on processed claims, as well as opportunities to return disability claimants to the workforce or remove them from the Disability Compensation Program. In addition, the audit noted that both ORM and the TPA lacked procedures to account for claimants' health and/or life insurance benefits.

NO. 91 **University of the District of Columbia** **STATUS: Start FY 2013**

TITLE: **PROCUREMENT PRACTICES AT THE
UNIVERSITY OF THE DISTRICT OF COLUMBIA**

OBJECTIVES: The objectives of the audit are to determine whether: (1) UDC's procurement practices are in compliance with applicable laws, rules and regulations, and policies and procedures; (2) procurement contracts are awarded and administered in an efficient, effective, and economical manner; and (3) internal controls are in place to safeguard against fraud, waste, and abuse.

JUSTIFICATION: UDC is the only fully-accredited public institution of higher education in the nation's capital. As an urban land-grant university, it supports a broad mission of education, research and community service and offers bachelors and masters degrees in the College of Arts and Science; School of Business and Public Administration; School of Engineering and Applied Sciences; and College of Agriculture, Sustainability and Environmental Studies. UDC is a component of the District of Columbia government, and is a legally separate entity for which officials of the District of Columbia are financially accountable. UDC proposed operating budget for FY 2013 is \$65 million.

The mission of UDC's OCP is to procure quality, cost-effective goods and services for the university system community through dedicated,

ethical, and customer-oriented service and through implementing best practices in the procurement process.

NO. 92 **Metropolitan Police Department** **STATUS: Ongoing**

TITLE: **METROPOLITIAN POLICE DEPARTMENT'S
MANAGEMENT OF EVIDENCE CONTROL
BRANCH**

OBJECTIVES: The objectives of this audit are to: (1) review actions taken by MPD and the Office of Property Management (OPM) in response to OIG Audit No. 07-1-21(a), dated January 4, 2008, and OIG No. 07-1-21FA, dated May 19, 2008; (2) examine the current status of the Evidence Control Branch and the management of seized and confiscated property/evidence; (3) determine whether law enforcement personnel are following applicable laws, rules and regulations, and procedures related to evidence handling and disposal; and (4) review the adequacy of internal controls over the sale of seized and forfeited property, and proceeds generated from the sale of such property.

JUSTIFICATION: Prior audits of MPD identified significant deficiencies in the Evidence Control Branch (ECB) facility and management of property/evidence. The ECB facility had an inadequate heating, ventilation, and air conditioning (HVAC) system, poor electrical system, leaky pipes and roof, severe overcrowding in storage areas, and poor physical security. In addition, the ECB facility did not meet all required health and safety code regulations. These facility-related conditions increase the risk of theft, misuse, or loss of evidence, which could compromise the District's ability to successfully prosecute criminal cases, thereby hindering the ECB's mission. Furthermore, these conditions constitute a hazardous working environment for ECB personnel and are attributable to MPD's and OPM's long-term failure to adequately secure the ECB facility or acquire a suitable alternate facility.

The FY 2013 proposed budget for MPD is \$496 million. Although MPD opened its new Evidence Warehouse in March 2011, an audit of the Evidence Control Branch is needed to ensure proper controls are in place to manage and secure evidence within the new facility.

NO. 93 **Department of Health** **STATUS: Start FY 2013**

TITLE: **HOME HEALTHCARE AGENCY HOURLY LABOR
RATES FOR PERSONAL CARE ASSISTANTS**

OBJECTIVES: Our objectives will be to follow up on DOH’s development of written policies to provide guidance on conducting reviews of home healthcare agencies, including steps to ensure healthcare workers are paid in accordance with the applicable living wage rate. In addition, we will determine whether DOH initiated appropriate action to detect errors and oversee corrections related to the hourly wage requirement at selected home healthcare agencies not visited during the original audit.

JUSTIFICATION: The OIG received a request from the Coordinator of the D.C. Coalition on Long Term Care to conduct a new audit of the hourly wage requirement covering all 16 home healthcare agencies. As our previous report indicated, the 5 home healthcare agencies we audited received 69 percent (\$10.3 million) of the total home healthcare reimbursements paid (\$15 million) by the DOH MAA in FY 2006.

Based on the results of our first audit, and ongoing concerns in this area, we plan to conduct a follow-up audit to ensure compliance with the hourly wage requirement for all home healthcare agencies.

THE INSPECTION AND EVALUATION PROCESS

THE INSPECTION AND EVALUATION PROCESS

The Inspections and Evaluations Division (I&E) is dedicated to providing decision makers with objective, thorough, and timely evaluations of District agencies and programs, and to making recommendations that will assist those agencies in achieving operational efficiency, effectiveness, and economy.

I&E has proven to be a valuable mechanism for identifying weaknesses in agency operations; underscoring the need for compliance with applicable laws, regulations, and policies; identifying accountability; recognizing excellence; and promoting improvement in the delivery of services to District residents. The Division plans to complete inspections that focus on delivery of citizen services and the implementation of inspection recommendations to correct reported deficiencies.

The Federal Model

I&E follows the inspection process adhered to by most federal OIGs and endorsed by the Council of the Inspectors General on Integrity and Efficiency. This process includes an official announcement letter to the agency head; an entrance conference where agency officials can alert the inspection team to areas that are of concern to management and where the parameters of the inspection are defined; surveys and focus groups, where appropriate; fieldwork that includes conducting interviews and work observations, developing findings and recommendations in a draft Report of Inspection (ROI) which is reviewed and commented on by agency management; issuing a final ROI; and conducting an exit conference. During the course of an inspection, management will be advised by means of Management Alert Reports of any significant findings that the inspection team believes require priority attention.

Inspections result in a ROI with findings and recommendations that focus on correcting noted operational deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents. Inspections have little value, however, if the reported deficiencies remain uncorrected.

OIG Inspections and Reports

While mechanically similar to the audit process, inspections typically have a broader scope, often evaluating *all* of the key operations of an agency in order to help managers improve diverse policies, programs, and procedures. An inspection combines some of the best features of several disciplines, including management analysis, traditional program evaluation, audits, survey research, program monitoring, and compliance reviews.

Follow-up, Compliance, and Re-Inspections

I&E tracks agency compliance with recommendations resulting from an inspection. A *Findings and Recommendations Compliance Form* is issued for each finding and recommendation, along with the Report of Inspection, so agencies can record and report to the OIG actions taken on I&E recommendations. Agencies are asked to provide target dates for completion of required actions, document when recommendations have been complied with, describe the action taken, and ensure that the forms are validated by the signature of the responsible agency official. In some instances, re-inspections are conducted after an agency has had a significant period of time in which to carry out agreed-upon recommendations. This typically occurs a year or longer after the initial inspection. A re-inspection report is then issued that summarizes agency progress in complying with original recommendations and notes any new areas of concern in agency operations.

INSPECTIONS AND EVALUATIONS THEME/AGENCY INDEX

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⁴ “O” indicates the review is ongoing as of September 1, 2012. “P” indicates the review is planned to start in FY 2013.

**PLANNED AND ONGOING
INSPECTIONS, RE-INSPECTIONS,
AND SPECIAL EVALUATIONS**

I. DELIVERY OF CITIZEN SERVICES

In FY 2013, we plan to continue inspections and evaluation coverage of key District service organizations. The common goal of these reviews will be to improve the efficiency and effectiveness of municipal services that are vital to District residents and other stakeholders, as well as services aimed at supporting the more vulnerable segments of the District's population (e.g., children, seniors.)

Core Services

The FY 2013 Inspection Plan includes OIG initiatives for inspection coverage that are consistent with our objective to review, evaluate, and help improve performance in all components of the District of Columbia government.

I&E plans to initiate and complete a special evaluation of the entities involved with the issuance, processing, and adjudication of vehicle parking violations and photo-enforced red light violations and speed limit violations. These entities include the Department of Transportation, the Department of Public Works, and the Department of Motor Vehicles.

I&E will also conduct an inspection of the District's senior wellness centers, which fall under the purview of the Office on Aging.

I&E also expects to conduct a follow-up inspection in the Department of General Services' Protective Services Police Department.

The Division will complete ongoing special evaluations of the Department of Youth Rehabilitation Services, the D.C. Housing Authority, and District agencies' implementation of mandatory employee drug and alcohol testing programs.

Should time and resources permit, other agencies/projects will be added to this plan.

The team found that: (1) some PSPD officers did not have all of the necessary protective equipment; and (2) security posts at numerous District-owned and -leased facilities did not have official written post orders, i.e., detailed instructions on how to execute tasks at a specific location. The team also concluded that some officers did not have the training needed to carry out their job duties; officers were not re-qualifying with their firearms as required by PSPD policy; and background investigations for prospective officers were not thoroughly documented or vetted.

OBJECTIVES: The objectives of this project are to (1) assess DGS's success in abating and correcting conditions cited in the 2010 report of special evaluation, and (2) document any newly-observed deficiencies in management or operational practices or hazardous conditions at PSPD security posts.

NO. 4 **Department of Youth Rehabilitation Services** **STATUS: Ongoing**

TITLE: **SPECIAL EVALUATION OF CONDITIONS IN AND MANAGEMENT AND OVERSIGHT OF GROUP AND SHELTER HOMES THAT SERVE YOUTH UNDER THE SUPERVISION OF THE DEPARTMENT OF YOUTH REHABILITATION SERVICES**

OVERVIEW: In July 2004, in conjunction with an inspection of the Youth Services Administration (which later became DYRS), the OIG issued a Management Alert Report documenting that efforts to locate youths who had absconded from YSA-sponsored group and shelter homes were minimal and ineffective, a condition that posed serious and immediate risks to both the community and to the youths who absconded. In the report, the OIG concluded that action should be taken to “improve the supervision, oversight, and security of group and shelter home operations” and “develop an active and effective absconder program to assist law enforcement authorities in locating and returning absconded youths.” Since then, a number of well-publicized incidents and crimes have involved youths who were assigned by DYRS to live in a group or shelter home.

OBJECTIVES: The objectives of the special evaluation are to determine the frequency with which youths assigned by DYRS to group and

in the application and client placement processes; and recommend ways in which DCHA can more efficiently serve clients who are seeking housing assistance.

NO. 6	Multiple Agencies	STATUS: Ongoing
TITLE:	SPECIAL EVALUATION OF DISTRICT AGENCIES’ IMPLEMENTATION OF MANDATORY DRUG & ALCOHOL TESTING PROGRAMS	
OVERVIEW:	Issued by the Department of Human Resources on June 10, 2008, District policy is to “subject to drug and alcohol testing each District government employee who, as part of the performance of his or her official job duties, has direct contact with children and youth; is entrusted with the direct care and custody of children or youth; and whose performance of his or her duties in the normal course of employment may affect the health, welfare, or safety of children or youth.” Examples of agencies covered by the policy include the Department of Human Services; Department of Parks and Recreation; Department of Youth Rehabilitation Services; D.C. Public Schools; and the D.C. Public Library.	
OBJECTIVES:	The objectives of this special evaluation are to determine the extent to which agencies subject to the policy comply with requirements and procedures regarding: alcohol and drug testing; retention of testing records and results; and employee education and referrals to alcohol and drug abuse treatment programs.	

