

**TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL**

**BEFORE THE  
COUNCIL OF THE DISTRICT OF COLUMBIA  
COMMITTEE OF THE WHOLE**

**PUBLIC OVERSIGHT HEARING ON THE  
“FISCAL YEAR 2017 COMPREHENSIVE ANNUAL  
FINANCIAL REPORT (CAFR)”**

**FEBRUARY 5, 2018**

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Good afternoon Chairman Mendelson and Members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am pleased to testify before you today on the District’s Fiscal Year (FY) 2017 Comprehensive Annual Financial Report (CAFR) audit results. This year marks the 21<sup>st</sup> consecutive year that the District has received a “clean” opinion from its independent auditors. Additionally, this is the third consecutive year of no material weaknesses<sup>1</sup> or significant deficiencies.<sup>2</sup>

Accompanying me today are staff from the Office of the Inspector General (OIG) and representatives from SB & Company, LLC (SB&C), the independent auditor contracted by the OIG to audit the District’s financial statements.

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<sup>1</sup> A “material weakness” is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

<sup>2</sup> A “significant deficiency” is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **CAFR CONTRACT ADMINISTRATION AND OVERSIGHT**

As you are all aware, the OIG is statutorily responsible for contracting with an independent auditor who is not an officer or employee of the OIG<sup>3</sup> to audit the complete financial statement and report on the activities of the District government for each fiscal year.<sup>4</sup> In awarding this contract, the OIG must ensure that the same independent auditor does not audit the District's financial statements and reports for more than five (5) consecutive years.<sup>5</sup> FY 2017 represents the third year the OIG has contracted with SB&C to audit the District's financial statements. To ensure a smooth and timely CAFR audit, the OIG chairs the CAFR Committee, which meets on a recurring basis to ensure the independent auditors get access to the information and personnel required to conduct their work.

## **AREAS REQUIRING MANAGEMENT'S ATTENTION**

As stated previously, while the District's overall financial statement audit identified no material weaknesses or significant deficiencies, we will be issuing a *Management Recommendation Report* that includes several findings and recommendations designed to improve internal controls within the District. Addressing these findings is imperative to ensure they do not become larger problems that could impact the District's financial reporting.

## **CONCLUSION**

Before I ask Mr. Graylin Smith of SB&C to provide an overview of the FY 2017 CAFR audit results, I would like to take this opportunity to thank the CAFR Committee members for their leadership and expertise in monitoring the CAFR audit over the last several months,

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<sup>3</sup> D.C. Code § 1-301.115a(a)(4) (Repl. 2016).

<sup>4</sup> *Id.* § 1-301.115a(a)(3)(H).

<sup>5</sup> *Id.* § 1-301.115a(a)(4)(A).

keeping management and others abreast of the additional required work, and assisting the independent auditors in completing the audit on schedule. In this regard, I want to give special recognition to CAFR Committee Chair Ben Huddle and the CAFR Contract Administrator Fekede Gindaba, from the OIG; Bill Slack from OCFO; and Gray Smith and the representatives of SBC for their professionalism, hard work, and commitment to the FY 2017 CAFR engagement.

With that, I will turn it over to Mr. Smith of SB&C.