

**TESTIMONY OF INSPECTOR GENERAL CHARLES C. MADDOX, ESQ.
BEFORE THE COMMITTEE ON GOVERNMENT OPERATIONS
PUBLIC ROUNDTABLE ON CONTRACTING AND PROCUREMENT IN THE
DISTRICT OF COLUMBIA:
THE UTILIZATION OF LOCAL, SMALL, AND DISADVANTAGED BUSINESS
ENTERPRISES, PART III**

JANUARY 30, 2003

GOOD MORNING MR. CHAIRMAN AND COMMITTEE MEMBERS. THANK YOU FOR THE OPPORTUNITY ONCE AGAIN TO ADDRESS THE COMMITTEE REGARDING MY OFFICE'S COMPLIANCE WITH THE GOAL WE ESTABLISHED FOR SUPPORTING LOCAL, SMALL, AND DISADVANTAGED BUSINESS ENTERPRISES (LSDBE) IN FISCAL YEAR 2002.

AS I HAVE STATED IN PRIOR TESTIMONY, MY OFFICE IS FULLY COMMITTED TO SUPPORTING THE MAYOR'S STRATEGIC PRIORITY OF IMPROVING AND BUILDING ECONOMIC DEVELOPMENT IN THE DISTRICT OF COLUMBIA. I RECOGNIZE THAT THE LSDBE COMMUNITY PLAYS A MAJOR ROLE IN THE CITY'S ECONOMIC REVITALIZATION. IN FACT, THIS COMMUNITY PROVIDES FOR THE LARGEST EMPLOYMENT OPPORTUNITIES IN THE PRIVATE SECTOR WORKFORCE.

OIG POLICY

WE HAVE CONTINUALLY EXCEEDED OUR LSDBE GOAL SINCE WE BEGAN ESTABLISHING GOALS IN FY 2000 BECAUSE I HAVE ASSIGNED A HIGH PRIORITY TO AWARDED PROCUREMENT ACTIONS TO LSDBE CONTRACTORS WHENEVER POSSIBLE. TO INSURE COMPLIANCE WITH OUR GOALS AND OBJECTIVES, THE OFFICE'S CHIEF OF CONTRACTS AND PROCUREMENTS MAINTAINS A CLOSE WORKING RELATIONSHIP WITH THE OFFICE OF LOCAL BUSINESS DEVELOPMENT. AS I TESTIFIED BEFORE YOU LAST YEAR, I HAVE ASSIGNED TO THE CHIEF THE RESPONSIBILITY FOR ENSURING MY OFFICE'S COMPLIANCE WITH THE LSDBE

PROGRAM, AND THIS REQUIREMENT IS INCORPORATED INTO HIS PERFORMANCE PLAN.

ACCOMPLISHMENT IN FY 2002

I AM PROUD TO SAY THAT WE EXCEEDED OUR ESTABLISHED LSDBE GOAL FOR FISCAL YEAR 2002 BY 236%. WE HAD AN EXPENDABLE BUDGET OF \$755,600. OUR GOAL WAS TO AWARD AT LEAST \$377,800 TO LSDBES AT THE CONCLUSION OF THE FISCAL YEAR. MY OFFICE AWARDED A TOTAL OF \$891,096 TO THESE FIRMS.

WE FAR EXCEEDED OUR LSDBE GOAL IN LARGE PART BECAUSE OUR PRIME CONTRACTOR (KPMG, LLP), WHICH AUDITED THE DISTRICT'S COMPREHENSIVE ANNUAL FINANCIAL REPORT, SUBCONTRACTED WITH THREE LSDBE AUDITING FIRMS FOR MORE THAN \$697,000. AT THE BEGINNING OF THE FISCAL YEAR, WE WERE AWARE THAT KPMG, LLP, WOULD BE AWARDED SUBCONTRACT WORK. HOWEVER, WE WERE UNABLE TO ESTABLISH AN ESTIMATE THAT COULD BE INCLUDED IN OUR EXPENDABLE BUDGET AND GOAL FOR THE FISCAL YEAR. ABOUT THE END OF THE FISCAL YEAR, KPMG, LLP DETERMINED ITS SUBCONTRACT NEEDS AND AWARDED THE SUBCONTRACTS. ADDITIONALLY, THERE IS NO REQUIREMENT IN EITHER THE CONTRACT, STANDARD CONTRACT PROVISIONS, OR THE REQUEST FOR PROPOSAL FOR THE CONTRACTOR TO AWARD A SPECIFIC PERCENTAGE OF FUNDS TO LSDBE SUBCONTRACTORS.

IN ORDER TO MORE ACCURATELY ESTIMATE OUR LSDBE GOAL IN THE FUTURE, WE HAVE ESTABLISHED A BASE TO CALCULATE AN ESTIMATE FOR THE SUBCONTRACT WORK. THIS ESTIMATE WILL BE REFLECTED IN OUR EXPENDABLE BUDGET AND GOAL FIGURES FOR FY 2003. AS A RESULT, THE GOAL WILL NOW REFLECT MORE ACCURATELY THE MEASURABLE OBJECTIVE MY OFFICE EXPECTS TO ACHIEVE.

AGAIN, I WANT TO THANK YOU FOR THE OPPORTUNITY TO ADDRESS THE COUNCIL REGARDING OUR LSDBE PROGRAM AND TO REAFFIRM OUR COMMITMENT TO THIS INITIATIVE.