

**TESTIMONY OF CHARLES C. MADDOX, ESQ.**  
**INSPECTOR GENERAL**  
**BEFORE THE COUNCIL OF THE DISTRICT OF COLUMBIA**  
**COMMITTEE OF THE WHOLE**

**DECEMBER 7, 2000**

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GOOD MORNING CHAIRMAN CROPP AND COUNCIL MEMBERS. I WELCOME THIS OPPORTUNITY TO DISCUSS AND SHARE WITH EVERYONE THE INSPECTOR GENERAL'S ROLE IN THE PROCESS OF VERIFYING THAT THE DISTRICT OF COLUMBIA REALIZES ITS \$52 MILLION SAVINGS INITIATIVE FOR FISCAL YEAR 2001.

I AM AWARE THAT THE CITY COUNCIL IS WORKING WITH THE CHIEF FINANCIAL OFFICER AND THE CITY ADMINISTRATOR TO CLARIFY THE ACTUAL AMOUNT THAT SHOULD BE CERTIFIED BY THE CFO AND SUBSEQUENTLY VERIFIED BY THE OFFICE OF THE INSPECTOR GENERAL. I LOOK FORWARD TO LEARNING YOUR CONCLUSION AND WILL WORK WITH ALL INTERESTED PARTIES TO VERIFY WHETHER THE AMOUNT HAS BEEN SET

ASIDE. FOR THE PURPOSES OF THIS HEARING, MY DISCUSSION WILL RELATE TO THE \$52 MILLION, WHICH WAS ORIGINALLY PROPOSED.

MY INTENT TODAY IS TWOFOLD: FIRST, TO SUMMARIZE THE LEGISLATIVE EVENTS THAT LED TO OUR INVOLVEMENT IN THE CERTIFICATION PROCESS. SECOND, TO PRESENT A BRIEF DESCRIPTION OF THE PROCESSES THAT THE OFFICE OF THE INSPECTOR GENERAL PLANS TO USE IN VERIFYING THAT THE \$52 MILLION IN SAVINGS HAS BEEN ACHIEVED.

BACKGROUND:

FOR THE LAST FEW WEEKS, MY OFFICE HAS BEEN WORKING WITH THE OFFICE OF THE CITY ADMINISTRATOR AND THE OFFICE OF THE CHIEF FINANCIAL OFFICER TO PLAN FOR IMPLEMENTATION OF A STATUTORY REQUIREMENT THAT THE FOLLOWING SAVINGS BE ACHIEVED FOR FISCAL YEAR 2001:

- \$10 MILLION IN OPERATIONAL IMPROVEMENTS SAVINGS

- \$37 MILLION IN MANAGEMENT REFORM SAVINGS  
AND
- \$5 MILLION IN CAFETERIA PLAN SAVINGS

THESE SAVINGS ARE MANDATED BY THE D.C. APPROPRIATIONS ACT FOR FISCAL YEAR 2001. REPORT LANGUAGE TO THAT ACT REQUIRED THE D.C. CHIEF FINANCIAL OFFICER (CFO) AND THE MAYOR TO MAKE REDUCTIONS AND SAVINGS TOTALING \$52 MILLION AND FURTHER REQUIRED THE DISTRICT'S INSPECTOR GENERAL'S OFFICE TO CERTIFY THAT THE SAVINGS HAD BEEN ACHIEVED.

THE FINAL D.C. APPROPRIATIONS ACT (HR 5633), AS SIGNED BY THE PRESIDENT ON NOVEMBER 22<sup>ND</sup>, DOES NOT REQUIRE CERTIFICATION BY MY OFFICE.

#### ROLE OF THE OIG

DESPITE THE ABSENCE OF A LEGAL REQUIREMENT THAT WE CONDUCT A CERTIFICATION, THE CFO, CITY ADMINISTRATOR, AND I AGREE THAT THE OFFICE OF THE INSPECTOR GENERAL

SHOULD PURSUE PLANS TO VERIFY THE SAVINGS OF \$52 MILLION FOR FY 2001. WHILE WE ARE AWARE THAT THE CITY COUNCIL RECENTLY PASSED LEGISLATION WHICH REQUIRES THE CFO TO CONDUCT A CERTIFICATION OF THE SAVINGS ACHEIVED, WE BELIEVE OUR INVOLVEMENT PROVIDES “ADDED VALUE” TO THE PROCESS IN TWO WAYS:

FIRST, THE OFFICE OF THE INSPECTOR GENERAL WOULD BE AN INDEPENDENT SOURCE OF VERIFICATION DURING A YEAR IN WHICH DEMONSTRATING FISCAL RESPONSIBILITY IS OF EXTRAORDINARY IMPORTANCE. AS YOU KNOW, THE OIG IS OVERSEEING THE FY 2001 CITYWIDE FINANCIAL AUDIT (THE “CAFR”), WHICH ATTESTS TO THE ACCURACY OF THE FINANCIAL STATEMENTS. THE FINANCIAL STATEMENTS SHOW WHETHER THE CITY HAS ACHIEVED A DEFICIT OR A SURPLUS. WE BELIEVE OUR ROLE SIMILARLY SERVES TO PROVIDE INDEPENDENT ASSURANCES CONCERNING THE PROCESS AND AMOUNTS OF SAVINGS ACHIEVED.

SECOND, WE AGREE THAT THE OIG AUDITORS CAN MAKE A UNIQUE CONTRIBUTION BY MONITORING SELECTED PHASES OF THE PROCESS PURSUED BY MANAGEMENT, ESPECIALLY WITH REGARD TO OUR PLANNED EFFORTS TO VERIFY AGGREGATE SAVINGS ONCE THE SAVINGS PLAN IS IMPLEMENTED.

SPECIFICALLY, THE FOLLOWING OBJECTIVES ARE PLANNED:

- INDEPENDENTLY VERIFY THE RELIABILITY AND ACCURACY OF THE PROJECTED SAVINGS OF \$52 MILLION, FOR THE PARTICIPATING AGENCIES, IN THE DISTRICT'S FY 2001 OPERATING BUDGET
- ENSURE THAT FY 2001 PROJECTED SAVINGS ARE ACHIEVABLE BY DETERMINING WHETHER THE CFO'S OFFICE HAS ESTABLISHED ADEQUATE CONTROLS TO MONITOR AND TRACK THE PROGRESS OF THE PARTICIPATING AGENCIES

- DETERMINE WHETHER AGENCIES HAVE IMPLEMENTED THE PROPER MANAGEMENT CONTROLS TO ACHIEVE THEIR SPECIFIED SAVINGS GOALS
- SELECT A REPRESENTATIVE NUMBER OF AGENCIES TO REVIEW BASED UPON AN ANALYSIS OF THE MASTER LISTING OF AGENCIES AND CORRESPONDING SAVINGS GOALS AND
- CONDUCT THE AUDIT UNDER TWO DISTINCT SEGMENTS: AN INITIAL EFFORT TO TEST AND VERIFY SAVINGS METHODOLOGIES AND A FOLLOW-ON EFFORT LATER IN THE FISCAL YEAR TO VERIFY AGGREGATE SAVINGS

#### CONCLUDING REMARKS

WHILE I BELIEVE OUR ROLE IN CONDUCTING THE VERIFICATION IS APPROPRIATE – IN LIGHT OF OUR INDEPENDENCE AND THE EXPERTISE OF OUR AUDITORS – I WISH TO MAKE CLEAR THAT WE WILL NOT SEEK TO ATTEST TO THE FEASIBILITY OF THE COST SAVINGS PLAN. IT IS THE DISTINCT RESPONSIBILITY OF THE EXECUTIVE AND

LEGISLATIVE BODIES TO MAKE SUCH A JUDGMENT. IN  
PERFORMING THIS VERIFICATION, WE WILL BE PERFORMING A  
DISCREET AUDITING FUNCTION, NOT MAKING BUDGET  
DECISIONS.

AGAIN, THANK YOU FOR ALLOWING ME THE OPPORTUNITY TO  
SHARE THIS TESTIMONY AND ADDRESS THIS MOST IMPORTANT  
SAVINGS INITIATIVE. I WILL BE PLEASED TO RESPOND TO ANY  
QUESTIONS AT THIS TIME.