

PUBLIC OVERSIGHT HEARING
ON
**THE FISCAL YEAR 2009 OFFICE OF THE CHIEF
FINANCIAL OFFICER (OCFO) BUDGET REQUEST**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia
The Honorable Jack Evans, Chairman**

**April 9, 2008, 10:00a.m.
Chamber, John A. Wilson Building**



**Testimony of
Robert G. Andary
Executive Director
Office of Integrity and Oversight**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Robert Andary, Executive Director of the Office of Integrity and Oversight (OIO). I am pleased to have this opportunity to testify today on the Office of the Chief Financial Officer's (OCFO) FY 2009 Budget Request as it pertains to my office.

FY09 Budget Request

The budget request for OIO is \$3.382 million , which represents an increase of approximately \$53,000 over the approved budget for FY08. This increase is for annual increases in salary and benefits for OIO employees. This budget request covers a total of 24 FTE's, including one auditor position funded by the DC Public Schools, and one auditor position funded by the DC Lottery Board. Our FTE's include 10 investigator positions in the Internal Security Division and 13 Auditor positions in the Internal Audit Division. Currently we have 2 vacant investigator positions and 2 vacant auditor positions.

Our budget request also contains approximately \$1.4 million which is used to fund the annual Single Audit conducted by the audit firm of BDO

Seidman, the same audit firm that conducts the annual audit of the District's financial statements, or the CAFR.

The Single Audit

Mr. Chairman, in my testimony before this Committee on March 5, I described the accomplishments of my office in FY 2007 and 2008. In my testimony today, I would like to focus on a very important aspect of what we do in the Office of Integrity and Oversight, and that is how we oversee the use of grant and award funds in the District of Columbia— by the various District agencies that receive awards from Federal agencies, and by private entities that receive federal grants that are passed through the OCFO.

District agencies receive and expend almost \$2 Billion in award funds from the Federal government. Federal law requires that the District conduct an annual audit to determine whether the District's major federally funded programs are complying with the requirements of OMB Circular A-133 relating to financial audits and internal controls. This is called the Single Audit, and generally the audit begins in mid-March after the annual CAFR, and should conclude by the legal deadline of June 30. Because of the delay this year in completing the CAFR, we expect that we will request and be

granted an extension of several months to complete the Single Audit. The last Single Audit of District programs was for Fiscal Year 2006 and was completed in September 2007.

Historically, unlike the CAFR, the Single Audit has never resulted in a “clean” or unqualified opinion, but has instead found material noncompliance in many District programs. Last year the Single Audit selected 35 major district programs for review (out of hundreds of federally-funded programs), but these programs represented 79% of the \$1.9 billion in federal funds expended in these programs. The audit found material noncompliance in 33 programs administered by 8 District agencies, and questioned costs of approximately \$4 million.

Besides managing the contract with BDO to conduct the Single Audit, OIO assists District agencies in preparing corrective action plans to address the auditors’ findings on compliance and internal controls. OIO also conducts follow-up work at selected agencies to help resolve repeat findings of noncompliance that date back several years. The consequences of material noncompliance can be severe—Federal agencies can withdraw federal funds from particular programs, or require the District to reimburse questioned

costs. OIO is committed to helping District agencies avoid these consequences by working with the auditors and the agencies during the course of the Single Audit and afterwards.

Pass Through Grants

In the FY08 District of Columbia Appropriations Act, Congress inserted a provision appropriating \$5,453,000 to the OCFO for grants to 19 entities that perform charitable or other work benefiting various aspects of the District community. Congress required that the funds be spent primarily in the District of Columbia to benefit District residents. Congress also required each entity to submit to the OCFO by March 15 a report on the activities to be carried out with the Federal funds. By June 1, 2008, the OCFO must submit a comprehensive report on these activities to the Appropriations Committees of the House and the Senate.

The OCFO, therefore, distributes the funds according to the entities identified by Congress, and OIO monitors the use of the funds to insure that the money is spent for its intended purpose and that each entity receiving the funds maintains sufficient documentation of expenditures to allow a review by OIO at the end of the fiscal year to determine that the expenditures met

the purposes and intent of the grants. Entities receiving \$500,000 or more are required to account for the funds pursuant to the requirements of OMB Circular A-133, which requires a fiscal year end audit.

Congress has been providing for grants passed through the OCFO for a number of years, and in some years Congress has also provided funds to the OCFO to monitor the use of the funds. However, in FY08 Congress provided no funds for administration, but required the OCFO to continue to monitor the grant funds, a task that has been undertaken by OIO.

It now appears that OIO will need to expand its grant monitoring activities under a proposal in the Mayor's FY 2009 Proposed Budget. The Proposal calls for pass through funding of \$24.6 million to the OCFO to be allocated to 43 private entities. These grants range in size from \$10,000 to \$10 million, and include \$100,000 to be retained by the OCFO to cover administrative expenses. While no final decision has been made as to the budget proposal itself or to its implementation, I anticipate that OIO will be tasked with monitoring the expenditure of the funds. Therefore I request that the Council retain the provision for administrative expenses in the

budget proposal, so that a position can be funded to assist OIO in monitoring these 43 pass-through grants.

This concludes my prepared testimony, Mr. Chairman, and I would be happy to respond to any questions you or other members of the Committee may have.