

TESTIMONY
OF
YOLANDA BRANCHE
ACTING DISTRICT OF COLUMBIA AUDITOR
COMMITTEE ON HUMAN SERVICES
COUNCIL OF THE DISTRICT OF COLUMBIA
OCTOBER 3, 2011

CHAIRMAN GRAHAM AND MEMBERS OF THE COMMITTEE ON HUMAN SERVICES: I am Yolanda Branche, Acting District of Columbia Auditor. Accompanying me today are Mr. Lawrence Perry, Deputy Auditor, and Mr. Henry Tucker, who was a member of the team that conducted the Peaceoholics audit. Thank you for the opportunity to appear before the Committee to summarize the major findings and recommendations contained in the Auditor's report entitled, "Audit of Funding Agreements Including Contracts, Loans, Grants, and Sub-grants Issued By the District of Columbia to Peaceoholics, Inc. From Fiscal Year 2006 to Fiscal Year 2010" which was issued on August 17, 2011.

PURPOSE OF THE AUDIT

The purpose of this audit was to determine whether District funds given to Peaceoholics were appropriately disbursed, monitored, and managed in accordance with applicable District laws, rules, regulations, policies, and written agreements.

SUMMARY OF MAJOR FINDINGS

We found that despite the significant contribution that Peaceoholics made to the District of Columbia, grant funding entities did not provide Peaceoholics with the necessary monitoring and support that the organization needed. Additionally, funding agreements did not consistently include program objectives that required Peaceoholics to provide written reports documenting fund allocations. As a result, Peaceoholics did not develop the appropriate internal controls or written program objectives to verify that all District funds were consistently used for the intended purposes.

SUMMARY OF MAJOR RECOMMENDATIONS

To ensure that organizations, like Peaceoholics, continue to effectively work to improve the lives of District residents, we recommend that the Council of the District of Columbia amend Title 1 of the District of Columbia Municipal Regulations, Section 50 to establish standard, uniform grant and sub-grant agreements for District government agencies and the Children and Youth Investment Trust Corporation.

Peaceoholics is a non-profit organization that received \$13,754,498 in funds from seven different District government agencies and the Children and Youth Investment Trust Corporation during the audit period. Peaceoholics was incorporated under the laws of the District of Columbia in 2004 to promote conflict resolution, gang prevention and intervention services, a family wellness program, and provide referrals for substance abuse and HIV/STD services. Since 2005, Peaceoholics received government funding from eight District of Columbia entities to deliver social services, fight crime, and provide housing for at-risk male youth transitioning out of the District's foster care and/or judicial systems.

The audit report reviews instances where grant funding entities did not provide Peaceoholics with the necessary monitoring and support that the organization needed. For example, DC Public Schools awarded Peaceoholics one grant for \$10,000 but DC Public Schools did not conduct any site visits to monitor and evaluate the operations of Peaceoholics. Funding entities issued funding agreements to Peaceoholics that did not consistently include program objectives that required Peaceoholics to provide written reports documenting fund allocations. Specifically, the Statement of Work in a \$15,000 grant from the Deputy Mayor for Planning and Economic Development to Peaceoholics did not require Peaceoholics to provide reports to determine whether grant funds were being allocated in the appropriate manner.

We found that the Department of Youth Rehabilitation Services issued a total of \$40,580 to Peaceoholics without written contracts for funding. According to the Department of Youth Rehabilitation Services, disbursements were made without contracts because the Office of Contracts and Procurement did not finalize contracts in a timely manner.

The audit report notes that Peaceoholics did not consistently submit required reports. Specifically, the Deputy Mayor for Planning and Economic Development entered into a Memorandum of Understanding with the Children and Youth Investment Trust Corporation for a \$360,000 grant to Peaceoholics. The agreement required Peaceoholics to deliver one report. However, Peaceoholics did not submit the required report. Additionally, Peaceoholics did not consistently comply with deadlines for submitting reports. A Metropolitan Police Department audit report regarding the \$199,433 grant to Peaceoholics stated: "Failure to deliver timely progress program reports contributed to the inability of determining whether funds were used for their intended purposes."

We also found that the Deputy Mayor for Planning and Economic Development, the Department of Housing and Community Development, and the Justice Grants Administration each provided funds to Peaceoholics pursuant to written funding agreements that prohibited the commingling of funds. However, Peaceoholics commingled funds in violation of funding agreements.

Title 1 of the District of Columbia Municipal Regulations, Section 50 states: "All sub-grants to private organizations shall be awarded on a competitive basis." However, \$1,339,990 in grants and sub-grants were issued to Peaceoholics that were not competitively bid. Specifically, the Justice Grants Administration awarded one sub-grant on a non-competitive basis to Peaceoholics totaling \$500,000. Peaceoholics received a \$479,990 sub-grant from the Center for Neighborhood Enterprises, which was awarded on a non-competitive basis. The Children and Youth Investment Trust Corporation issued a non-competitive grant to Peaceoholics for \$360,000. At the time of this award, the Children and Youth Investment Trust

Corporation did not have written policies or procedures requiring that grants were issued on a competitive bases.

To ensure that organizations like Peaceholics effectively serve District residents, the audit report includes the following key recommendations:

- The Council of the District of Columbia should amend 1 DCMR Section 50 to include standard, uniform grant and sub-grant agreements for District government agencies and the Children and Youth Investment Trust Corporation.
- Funding agencies and the Children and Youth Investment Trust Corporation should establish and implement measures to ensure grant recipients are properly monitored and comply with all grant agreement requirements.
- The District's Chief Financial Officer should implement measures to ensure that District agencies and the Children and Youth Investment Trust Corporation comply with the requirements of 1 DCMR Section 5002.1 by issuing competitively bid grants and sub-grants.
- The District's Chief Financial Officer should implement measures to ensure that District grant funding agencies and the Children and Youth Investment Trust Corporation effectively monitor financial management systems maintained by grantees and sub-grantees.

Mr. Chairman, thank you for the opportunity to appear before you today. This concludes my prepared remarks. I will respond to any questions that you may have.