

TESTIMONY
OF
DEBORAH K. NICHOLS
DISTRICT OF COLUMBIA AUDITOR
CERTIFIED BUSINESS ENTERPRISE COMPLIANCE UNIT REPORT
TO THE COMMITTEE ON ECONOMIC DEVELOPMENT
COUNCIL OF THE DISTRICT OF COLUMBIA
MARCH 8, 2010

Chairman Brown, Members of the Committee on Economic Development, thank you for the opportunity to appear before you today to present testimony on the Office of the District of Columbia Auditor's (Auditor's) Certified Business Enterprise Compliance Unit. I am Deborah K. Nichols, District of Columbia Auditor. Accompanying me today are Deputy Auditor, Lawrence Perry, Assistant Deputy Auditor, Laura Hopman, the Auditor's Legal Advisor, Karen Todd, and Senior Analyst for our Certified Business Compliance Unit, Allegra McCullough.

As you know, the transfer of the Certified Business Compliance Unit from the Department of Small and Local Business Development to the Auditor's Office became effective October 1, 2009, at the beginning of Fiscal year 2010. The mission of the Certified Business Compliance Unit (CBCU) is to monitor compliance with Certified Business Enterprise participation requirements for by District agencies and private development partners. The transfer of the CBCU will ultimately provide an independent means of assessing whether these entities are meeting the minimum requirements set forth in the Small, Local and Disadvantaged Business Enterprise Development and Assistance Act, as amended.

To date, the CBCU staff has accomplished the following tasks:

- Notified all known private development partners and all District Agency heads of the compliance function transfer to the Office of the Auditor, and the new reporting formats, reporting dates, and respective contact information for the CBCU and DSLBD. ODCA is still working with DSLBD, DMPED, and DCHA to ensure that we continuously maintain a comprehensive database of all ongoing private development partners.

- Conducted an orientation session on the new reporting requirements and report formats for District agency liaisons. The orientation presentation can be found on the CBCU web page at dcauditor.org.
- The CBCU in conjunction with the Auditor's Information Technology division teamed up to develop a CBCU web page that included a report flowchart and training PowerPoint. We anticipate posting compliance information on the webpage and regularly updating it.
- Developed an internal on-line issues portal that allows for real-time tracking of agency and private development queries and reporting problems.
- Developed Certified Small Business Enterprise (CSBE) and CBE expenditure reports for FY 2009.
- Collaborated with the Office of Contracting and Procurement and the Office of the Chief Technology Officer to further streamline the District Agency CSBE reporting process. The streamlined process is in the test phase.

AUDITOR'S OBSERVATIONS

Based on the CBCU's work since October 1, 2009, we have several concerns about our ability to accurately report on the compliance of private development projects:

- First, we will be unable to determine the extent to which there is a reporting problem involving Joint Ventures until an inventory assessment is completed. Reconciliation of the inventory will be determined by matching CBE Agreements to projects on file, site visits, and developing closeout procedures.
- We discovered inconsistent reporting dates in a sample of CBE Agreements and will work with DSLBD to resolve this matter.
- We are working with the offices of the Deputy Mayor for Planning and Economic Development, Department of Housing and Community Development and Housing Finance Agency to link old project names to real data so that compliance can be accurately and timely assessed.

The CBCU staff is making great strides to work through this transition period to produce a reliable, comprehensive reporting process. In our effort to provide a comprehensive report to the Council, there are two areas that may need further clarification:

First, there is the issue of the timeframe for when the allocation letters should be submitted to agencies so they can begin reporting their adjusted budget for CBE inclusion. Further, there

seems to be some confusion as to who within an agency should be providing this information for the agency. Our view is that the agency should select an employee that has a financial/accounting background or who works closely with agency fiscal officer. This will ensure the accuracy of the information being provided.

Our second concern is the “use and access” to the QuickBase database. QuickBase is the internal database that is currently being utilized to upload and store compliance data received from r private and public bodies. DSLBD has a license to use QuickBase, however, being that our office now has the compliance function, we feel that QuickBase and District dollars would be better utilized if the Auditor’s Office were given the funding to access the database to fulfill our compliance monitoring and reporting responsibilities .

Our third concern is that there should be a process for agencies to notify ODCA and DSLBD regarding any adjustments to their expendable budgets so that their CSBE goals may be adjusted prior to the release of the annual report. Including this step in the process will allow for more accurate reporting.

As with all transitions, a period of adjustment still remains, however, I foresee that over the next two quarters, with all the hard work that we are doing now, we will have established a solid foundation for our compliance monitoring and reporting methodology.

Thank you for the opportunity to present testimony to the Committee this morning. I will attempt to answer any questions that you may have at this time.