

**TESTIMONY**  
**OF**  
**LAWRENCE PERRY**  
**ACTING DISTRICT OF COLUMBIA AUDITOR**  
**COMMITTEE ON BUSINESS, CONSUMER AND REGULATORY AFFAIRS**  
**COUNCIL OF THE DISTRICT OF COLUMBIA**  
**SEPTEMBER 26, 2014**

**CHAIRMAN ORANGE AND MEMBERS OF THE COMMITTEE ON BUSINESS, CONSUMER AND REGULATORY AFFAIRS:** I am Lawrence Perry, Acting District of Columbia Auditor. With me today are Laura Hopman, Assistant Deputy Auditor and Lilai Gebreselassie, Senior Supervisory Auditor. Thank you for the opportunity to appear before the Committee to discuss required SBE expenditures of District agencies.

As you know, our report issued on September 3, 2014 detailed District of Columbia agencies' compliance with Small Business Enterprise expenditure goals through the 3<sup>rd</sup> quarter of Fiscal Year 2014. The purpose of the report was to determine whether 82 District agencies were on target to meet the required goal of procuring 50% of their expendable budgets with Small Business Enterprises in fiscal year 2014 and evaluate District agencies' compliance with SBE goal establishment and expenditure reporting requirements. As required by law, we will issue a report on agency compliance with SBE expenditure goals through the 4<sup>th</sup> quarter of Fiscal Year 2014, after the District's Comprehensive Annual Financial Report is released.

To establish FY 2014 SBE goals and stated in our September 3, 2014 report, DSLBD required each agency to access QuickBase, DSLBD's electronic database containing all budget, SBE goal, and agency-reported SBE expenditure data. DSLBD asked each agency to document, as an exclusion in QuickBase, the items in their appropriated budget that the agency could not reasonably be expected to obtain from SBEs. Upon DSLBD's approval, the QuickBase system subtracted the exclusions from the agency's appropriated budget to determine the agency's expendable budget. To determine the SBE goal, the QuickBase system multiplied the expendable budget by 50 percent.

Agencies are required to access QuickBase every quarter to enter their SBE expenditures. We have found that these self-reported expenditures are often unreliable. To ensure that our reports contain reliable figures, we obtained expenditure data directly from the District's System of Accounting and Reporting (SOAR), the official record of government transactions. We then compared the expenditure data to DSLBD's CBE online system, which details the certification status of all SBEs. Using verified data obtained from SOAR and CBE online enables us to be certain that we are only crediting agencies for direct payments to SBEs that were certified on the date of the expenditure.

Out of 82 agencies, 19 agencies were ahead of schedule in meeting their annual goal of procuring at least 50% of their goods and services from SBEs as of June 30, 2014. The 82 agencies, as a whole, spent \$84 million with SBEs through the 3<sup>rd</sup> quarter of Fiscal Year 2014. Eighty-four million dollars represents 17% of the total FY 2014 SBE expenditure goal, which was \$495 million at the time the report was published.

Only six agencies did not submit the required expenditure report for the 3<sup>rd</sup> quarter of FY 2014. We are pleased to note that that this represents a significant reduction in the typical number of non-reporting agencies. Recently, DSLBD has made efforts to contact, train, and work with non-reporting agencies. The results of their efforts are encouraging.

Furthermore, on August 12, 2014, we received written notification from DSLBD detailing the positive actions they are now taking to remedy the findings contained in this and prior reports. We will continue working with DSLBD, while monitoring the implementation of our recommendations, in our combined effort to eliminate the issues cited in the report.

Mr. Chairman, this concludes my prepared remarks. I will respond to any questions.