

**TESTIMONY
OF
DEBORAH K. NICHOLS
DISTRICT OF COLUMBIA AUDITOR**

CERTIFIED BUSINESS ENTERPRISE COMPLIANCE UNIT

**COMMITTEE ON ECONOMIC DEVELOPMENT
COUNCIL OF THE DISTRICT OF COLUMBIA**

JULY 8, 2010

Chairperson 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 Certified Business Enterprise Compliance Unit. I am Deborah K. Nichols, District of Columbia Auditor. Accompanying me today are Deputy Auditor, Lawrence Perry, and Assistant Deputy Auditor, Laura Hopman.

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. The mission of the Auditor's Certified Business Compliance Unit (CBCU) is to monitor compliance with Certified Business Enterprise participation requirements for District agencies, government corporations, and private development partners.

Over the past several years, Council, primarily through your Committee on Economic Development, has amended the Small and Local Business Development and Assistance Act to significantly strengthen the requirements for contracting with small, local, and disadvantaged businesses and to improve oversight and monitoring of the requirements.

For instance, prior to July 2007, developers were only required to make a reasonable effort to spend 35% of their development budget on CBEs. Starting in July 2007, private developers receiving construction contracts in excess of \$250,000 were required to subcontract at least 35% of the total value of the contract with CBEs. Private developers who fail to submit reports on their CBE expenditures, submit inaccurate reports or who fail to achieve the 35% requirement are subject to fines of \$15,000, or 5%, of the total amount the developer was to subcontract to CBEs (whichever is greater), for each violation.

Further, the transfer of the CBCU from the Department of Small and Local Business Development to the Auditor's Office provides an independent means of assessing whether District agencies, government corporations, and private developers are meeting the minimum

requirements set forth in the Small, Local Business Enterprise Development and Assistance Act, as amended. The Department of Small and Local Business Development continues to certify businesses and provide other services directly to CBEs, but District agencies, government corporations, and private developers must now send their quarterly reports to our office, enabling us to independently review the numbers and confirm that actual payments were made.

To date, our office has collected quarterly reports from District agencies and private developers for Quarters 1 and 2 of Fiscal Year 2010. There are 32 District agency directors who have not submitted one or more of their quarterly reports for Fiscal Year 2010. There are 67 private developers who have not submitted quarterly reports for Fiscal Year 2010. I have provided an attachment that lists some of the non-compliant agencies and developers. We will submit a more complete list to you after this hearing.

Moving forward, our office will strive to deliver independent, complete, and accurate reports detailing District agency, government corporations, and private developer compliance with CBE goals. To that end, we will deliver a compliance report for Quarters 1 and 2 of Fiscal Year 2010 by September 20, 2010. We will deliver a year-end compliance report for all of Fiscal Year 2010 activity by January 20, 2011. We will also continue our ongoing implementation of streamlined data-gathering and verification methods for CBE expenditures and certification. These improved processes will allow for additional analysis of certified business industry strengths and weaknesses and reports on expenditures to CBEs by services, products, and wards. This information will be invaluable to Council's business and economic development planning by providing a method to determine the competitive power of its local businesses.

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.

District agencies that have not submitted required quarterly reports for Quarter 1 and/or Quarter 2 for Fiscal Year 2010:

1. Child and Family Services Agency
2. Children and Youth Investment Collaborative
3. Commission on Arts and Humanities
4. Contract Appeals Board
5. D.C. Office of Risk Management
6. D.C. Taxicab Commission
7. Department of Health Care Finance
8. Department of Mental Health
9. Department of Motor Vehicles
10. Department of Public Works
11. Department of Transportation
12. Deputy Mayor for Education
13. District of Columbia Retirement Board
14. Housing Finance Agency
15. Office of Administrative Hearings
16. Office of Asian and Pacific Islander Affairs
17. Office of Campaign Finance
18. Office of Disability Rights
19. Office of Employee Appeals
20. Office of Finance and Resource Management
21. Office of Justice Grants Administration
22. Office of Public Education Facilities Modernization
23. Office of Tenant Advocate
24. Office of the Chief Technology Officer
25. Office of the City Administrator
26. Office of the Inspector General
27. Office of the People's Counsel
28. Office of Victim Services
29. Public Employee Relations Board
30. Special Education Transportation
31. University of the District of Columbia
32. Water and Sewer Authority

Private Developers that have not submitted required quarterly reports for Quarter 1 and Quarter 2 for Fiscal Year 2010:

1. 100 Bryant St NW - Reza Fathi , Abbas Fathi
2. 1001 Quebec St - Massoud Mamassani
3. 1504 6th St, NW - United General Contractors
4. 1737 L Street - Negesti Tekle
5. 1800 M St. NE - Sandra McDonald Spence and Kayla McDonald
6. 1819 H Place NE - Kahssaye Tekle
7. 2 M Street Redevelopment LLC - Northwest One
8. 251 Massachusetts Avenue, LLC - Mount Vernon Place
9. 3004 13th Street LLC
10. 333 K Street NE - Morgan Kelleher
11. 4010 Third Street Partners, LLC
12. 4100 Georgia Ave., LP
13. 4925 Nash Street, LLC - North Capitol Collaborative, Inc.
14. 627 14th Place - J. Michael Hager
15. 646 I Street, NE - United General Contractors
16. Barbara Chambers Children's Center
17. Blue Skye - 3800 LOTS, LLC - 3825-3829 Georgia Ave NW
18. Blue Skye - 3800 Storefronts, LLC 3813-3815 Georgia Ave NW
19. Blue Skye - Hayes Street Project
20. Blue Skye Development LLC -Mixed Income- 6425 14th St, NW
21. Broadcast Center One - Broadcast Residential Partners, LLC
22. Bruke G. Siraga and Genet H. Mamo - 3620 Rock Creek
23. Canal Park Development
24. Capitol Quarter Project - EYA Construction Inc. - Capper - Carrollsburg Venture, LLC - Hope VI Funding Project
25. CEMI-MINI Highlands, LLC
26. Center for Strategic & International Studies, Inc.
27. Cesar Chavez - PCS -Public Charter Schools for Public Policy
28. CHR, LLC / CHR II, LLC - Shops at Park Village
29. Community Connections Real Estate Foundation
30. Comstock East Capitol LLC
31. DB Residential Partners, LLC - Minnesota-Benning
32. DC Arena L.P. - Verizon Center
33. Dilargachew Belay - 1644 Gales St, NE
34. DIX Street Corridor Revitalization Partners LLC - Dix Eastern
35. EDC Headquarters - Sigma Investments, LLC
36. Franklin Parking Lot projects
37. Georgia and Lamont - The Heights on Georgia Av - 3232 Georgia Ave NW
38. High Street Development - Keystone Plus Construction
39. Hoffman-Struever Waterfront LLC - SouthWest Waterfront, LLC

40. HQ Hotel, LLC - Marriott Marquis Convention Center Hotel
41. Hunter Pines Limited Partnership - Super Giant Super Market Project
42. Ideal Academy PSC - Public Charter School
43. Jasper29T
44. Kelsey Gardens Property Company, LLC - Addison Square at Kelsey Gardens
45. Kipp DC- Douglass Road - Douglas School
46. Knox Hill Village - Anacostia Economic Development Corporation
47. Level 2 Development LLC - L2CP, LLC (View 14)
48. MADAME TUSSAUDS Washington DC
49. Mi Casa, Inc. - Home Aging Initial Project
50. Mount Lebanon Community Service Center - Oakmont
51. National Museum of Crime & Punishment
52. Noma West - Eckington One
53. PerStar M Street Partners LLC
54. Population Services International - PSI
55. Portal's Project - Phase III
56. Quest Cooperative Inc.
57. R&R LLC - 1205 Delafield Place NW
58. Reyes LLC - 2305 1st Street
59. Salvation Army - Solomon G. Brown Corps Center - a Georgia Corp.
60. Sports Collaborative
61. Square 54
62. SW Waterfront, LLC
63. Trinity (Washington) University
64. Verizon Washington, DC Inc.
65. Washington Mathematics Science & Technology Public Charter School, Inc. - PSC
66. Wesley Theological Seminary of the United Methodist Church
67. WestEnd25