

TESTIMONY
OF
YOLANDA BRANCHE
DISTRICT OF COLUMBIA AUDITOR
COMMITTEE ON SMALL AND LOCAL BUSINESS DEVELOPMENT
COUNCIL OF THE DISTRICT OF COLUMBIA
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CHAIRMAN ORANGE AND MEMBERS OF THE COMMITTEE ON SMALL AND LOCAL BUSINESS DEVELOPMENT: I am Yolanda Branche, District of Columbia Auditor. Accompanying me today is Laura Hopman, Assistant Deputy D.C. Auditor. Thank you for the opportunity to appear before the Committee to summarize the major findings contained in the Auditor's report entitled, "District of Columbia Agencies' Compliance with Fiscal Year 2010 Small Business Enterprise Expenditure Goals." The purpose of the report was to determine whether District agencies were on target to meet the required goal of procuring 50% of their expendable budgets with Small Business Enterprises in fiscal year 2010 and evaluate District agencies' compliance with SBE goal establishment and expenditure reporting requirements.

SUMMARY OF MAJOR FINDINGS

We found that of the 75 agencies that submitted annual Small Business Enterprise Expenditure reports, only 49 agencies submitted the required SBE expenditure reports. Of the 49 agencies that submitted SBE expenditure reports, 19 agencies met the goal of procuring at least 50% of their goods and services from SBEs in Fiscal Year 2010.

Of the 49 agencies that submitted SBE expenditure reports, 27 agencies did not meet their SBE expenditure goals and 3 agencies submitted annual SBE expenditure reports, but the 3 agencies failed to establish SBE goals.

While 49 agencies submitted SBE annual expenditure reports, 26 agencies did not submit reports. Of the 26 agencies that failed to submit SBE annual expenditure reports, 17 agencies established SBE goals, but did not submit reports and 9 of the 26 agencies failed to submit SBE annual expenditure reports or establish SBE goals.

Overall, we were able to assess only 46, or 61% of the 75 District agencies that the Office of the D.C. Auditor monitored, partly because some District agencies and DSLBD failed to ensure that agency SBE goals were accurately and promptly established at the beginning of the fiscal year. To meet SBE goals, agencies must vigorously pursue SBE goals throughout the fiscal year.

As I stated, 26 agencies did not submit required expenditure reports to assess compliance. SBE expenditure data is necessary to determine improvements in programs, personnel, and partnerships. The absence of accurate and complete SBE expenditure data also makes it difficult for DSLBD to develop strategies for assisting agencies to structure contracts that provide SBEs with the best competitive opportunities for providing agencies with products and services. The lack of complete SBE expenditure data prevents the Office of the D.C. Auditor from providing

both DSLBD and the Council with valuable economic development information to determine the impact of SBEs on the District.

We also found that DSLBD did not establish clear guidelines regarding the funding source that agencies should use to determine SBE expenditure goals. DSLBD allowed agencies to establish annual SBE expenditure goals using inconsistent funding sources. This created confusion for District agencies regarding which funding sources to use in determining SBE expenditure goals. We found most agencies used only local funding sources to determine SBE expenditure goals. However some agencies, with DSLBD approval, based their SBE goal on an appropriated budget that included a mix of local and non-local funding sources. For example, the Office of the Tenant Advocate (OTA) had an appropriated budget consisting of local and non-local funding sources. OTA's goal was based only on local dollars. We found that OTA expended sixty two thousand, nine hundred sixty one dollars (\$62,961) on SBEs during fiscal year 2010; however, none of the payments to these SBEs were from OTA's local funds. Despite expending sixty two thousand, nine hundred sixty one dollars (\$62,961) on SBE's during fiscal year 2010, OTA fell short of their established goal because OTA did not expend local dollars on their SBE purchases.

We also found that District agencies submitted inaccurate SBE expenditure reports. To determine total agency SBE expenditures, we compared the annual expenditure reports of District agencies with expenditure data obtained from SOAR, the District's financial system. Because SOAR reflects the official record of accounting transactions for the District government, we considered the data from SOAR to be the benchmark against which agency reports were compared. For example, the Department of Housing and Community

Development reported spending nine hundred forty six thousand, seven hundred ninety-nine dollars (\$946,799) in local funds on SBEs, however we found that the Department of Housing and Community Development actually spent one hundred seventy thousand, seven hundred eighty one dollars (\$170,781). The Office of Unified Communications reported spending one million, seven hundred eighty one thousand, four hundred seven dollars (\$1,781,407) in local funds on SBEs, however we found that the Office of Unified Communications actually spent three hundred seventy one thousand, one hundred forty seven dollars (\$371,147).

Although the findings I described demonstrate serious weaknesses on the part of District agencies in using SBEs to foster the economic growth and development of small businesses, I am very encouraged by recent improvements that DSLBD has made regarding agency goal setting and SBE expenditure tracking. I am hopeful that these improvements will enable agencies to better utilize the small business enterprises.

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