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Coming Up with an Internal Control Playbook for District Agencies

New ODCA white paper asks: If auditors can't audit, how can overseers oversee?

WASHINGTON, January 8, 2018—Audits by the Office of the District of Columbia Auditor (ODCA) have put the spotlight time and again on District agencies and programs that do business without verifiable policies or processes—known as internal controls—which can lead to operational ineffectiveness and inefficiency, and non-compliance with laws and regulations.

In its new report, ***A Case for District-Wide Internal Control Standards***, ODCA shares ideas on how to help D.C. agencies develop internal control standards, improve how their programs are administered, get all D.C. agencies on the same page, and—perhaps self-servingly—help ODCA do its job of providing the D.C. Council with the information to ensure that the government is spending taxpayer money wisely.

“The U.S. Office of Management and Budget has requirements that define management responsibility for internal control in the federal government, and the corporate sector has Sarbanes-Oxley, which requires that the management of public companies assess the effectiveness of the internal control,” said Kathleen Patterson, Auditor of the District of Columbia. “After years of uncovering the same deficiencies among agencies we conclude the D.C. government needs a playbook—an operational framework of controls—so every program and service has standard operating procedures, and staff are properly trained in managing those procedures,” Patterson said.

The report explains that ODCA auditors also frequently find that agencies either can't produce documents to support the business they've been conducting or that those documents were never produced.

“In many of our audits, we've been unable to verify how the programs were administered because the agency lacked basic documentation for us to review,” Patterson said. “When an agency can't prove to our team of auditors exactly how they have operated, it is our job to say there's a risk of waste, fraud, or abuse.”

Rather than continually dinging agency employees for a lack of transparency and accountability, Patterson said, “we'd much rather work with them to evaluate how they're currently working, help them work more efficiently, and ultimately help the D.C. Council be more effective in their oversight. That is, after all, our mission.”

In written comments included in the report, City Administrator Rashad Young takes exception with “a one-size fits all approach to management of objectives and results.” The response notes some areas of agreement and one particular area ripe for collaboration: the lack of standard operating procedures. “We suggest working collaboratively with the auditor to develop a timeline and process to ensure that more functions of our largest and most standardized agencies have the necessary SOPs in place.”

The white paper includes recommendations for further discussion, including:

- The D.C. Council could, using other existing state models that are outlined in the paper, establish a standard for designing, implementing, and monitoring internal controls.
- The Council and Mayor consider piloting a remediation program at one D.C. agency before applying the program District-wide.
- That a comprehensive review of the D.C. Code be undertaken to determine the extent to which our laws clearly identify measures of performance along with who will monitor them.

The white paper also includes an appendix of detailed process failures that have been documented in audits conducted by ODCA, the D.C. Office of the Inspector General, federal agencies, outside auditors, and in reports from the news media. In each case, ODCA suggests that an internal control framework would have substantially mitigated the problems.

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