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Elected Officials Created Special Purpose Revenue Funds Then “Swept” \$142M for Other Purposes

*Mandate is for D.C. Council to create Funds, but 18 of 75 new ones were created
by the Office of the Chief Financial Officer*

WASHINGTON, April 25, 2019—The District’s elected officials are increasingly creating special revenue funds from fees and other sources for specific purposes then “sweeping” money from the funds into the District’s general treasury to plug holes in the annual budget, according to a new report from the Office of the District of Columbia Auditor (ODCA).

Despite a statutory requirement that money deposited into certain Special Purpose Revenue Funds (SPRFs) was to be available for specific purposes, there have been 72 instances in recent years when SPRF revenue totaling \$142 million was transferred to the General Fund and reallocated.

“Utility rate-payer fees and deed recordation charges have gone into Special Funds and then been repurposed for other spending needs,” said D.C. Auditor Kathy Patterson. “While sweeping from non-lapsing Funds was approved as part of the annual budget process, it nonetheless contradicts the language of the Funds’ establishing statutes and can undermine Fund purposes.”

Number of Sweeps of Non-Lapsing Funds, FY 2013 to FY 2017

	FY 13	FY 14	FY 15	FY 16	FY 17
Total Amount of Non-Lapsing Fund Sweeps	None	\$1,800,000	\$34,960,207	\$31,126,812	\$74,949,723
Total Number of Non-Lapsing Funds Swept	None	1	18	21	32

Source: ODCA analysis of SOAR

The Mayor and Council of the District of Columbia have authority to create Special Funds “from time to

time” for “the efficient operation of the government” but the Auditor found they created 75 such funds during the five years covered by the audit. And the practice of sweeping funds from SPRFs has dramatically increased in recent years, becoming a routine part of the District’s annual budget process, according to the report.

In 1996 elected officials created a Fund to automate the Recorder of Deeds, a project that was to cost \$2.5 million and take five years. Twenty-three years later the office is still collecting a document surcharge, the automation is not complete, and yet nearly \$4 million was transferred out of the Fund between FY15 and FY17. In addition, the report found that for 26 of the 32 Funds swept in FY 2017 the agency did not have specific, relevant metrics for the program, purpose, or goal to be served by the SPRF. An appendix in the report provides additional details regarding that analysis for the 32 SPRFs, as well as the Funds’ statutory history and oversight.

The OCFO created SPRFs without legal authority

The District statute that addresses the creation of SPRFs is clear that the D.C. Council “may from time to time establish such additional special funds as may be necessary for the efficient operation of the government of the District,” yet of the 77 Funds in ODCA’s sample we found that 18 Funds (23 percent) were not created by statute, but administratively by the Office of the Chief Financial Officer (OCFO).

In some cases, the OCFO created these Funds to account for federal funds received and should have sought legislative authority from the D.C. Council, the report states. ODCA recommended that the OCFO ask the D.C. Council for authorizing legislation for all SPRFs created administratively.

Other findings include:

Spending outside of Fund purpose. The OCFO failed to disallow spending that was unrelated to Fund purpose in violation of the authorizing legislation for five of the 26 Funds ODCA reviewed.

Charging personnel costs to Funds. More than half of the spending in ODCA’s sample of 26 Funds was for personnel costs. That plus a lack of formal guidance on how to control personnel spending pose the risk that SPRFs can be billed for staff costs that are unrelated to Fund purpose.

Repeal of Funds handled inconsistently. ODCA found that 14 Funds continued to show revenue deposits long after the date given for their repeal. For example, the DGS’s Rent Fund was repealed in 2011 but showed revenue in FY 2013 through FY 2016. There were several reasons for this, including confusing statutory language and weak Agency Fiscal Officer monitoring.

ODCA’s recommendations include:

- The D.C. Council should amend D.C. Code § 1-204.50 to require: An explicit statement of the Fund’s necessity for the efficient operation of the District government; language encompassing purpose, type, revenue source(s), allowable and unallowable uses of the Fund, whether personnel and/or administrative costs are permissible, and how the agency will measure the Fund’s effectiveness; and a fixed time for the review of the Fund’s performance and authorization for its continuation.
- The D.C. Council and the Mayor should determine whether each existing Fund continues to be necessary for the efficient operation of the District and repeal those that are not necessary.
- The Office of the City Administrator should use performance data on Fund effectiveness and efficiency to annually report on whether fees or other revenue sources should be reduced or eliminated.

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