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# Earmark Review: DMPED Can Improve Grant Management

February 25, 2020

A report by the Office of the District of Columbia Auditor



**Audit Team**  
Yvonne Jones, Auditor-in-Charge  
Wendy Stephens, Audit Supervisor



**Kathleen Patterson, District of Columbia Auditor**  
[www.dcauditor.org](http://www.dcauditor.org)

# Executive Summary

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## Why ODCA Did This Audit

This audit was mandated by the Rules of Organization and Procedure for the Council of the District of Columbia for Council Period 22. Article VII – Budget Procedures, §733 Audit Requirements states:

(a) Grantees [of earmarked grants] shall be notified that the District of Columbia Auditor will randomly audit grant recipients.

(b) The District of Columbia Auditor’s report shall be issued no later than March 1<sup>st</sup> of the fiscal year immediately following the year for which the grant was awarded.

## What ODCA Recommends

We recommend that DMPED develop and implement standard operating procedures that detail contract administrator responsibilities, including review and approval of invoices and supporting documentation to ensure compliance with contract terms. Procedures should also include delegation of contract administrator’s responsibilities.

## What ODCA Found

The Office of the Deputy Mayor for Planning and Economic Development (DMPED) made a \$200,000 earmarked award to the Coalition for Nonprofit Housing & Economic Development (CNHED) in the form of a contract rather than a grant, as stipulated in the Fiscal Year 2018 Budget Support Act of 2017.<sup>1</sup> After research of the D.C. Code and the D.C. Municipal Regulations related to issuing a sole source contract as compared to a named grant recipient, we found the relevant differences relate to timing of the advance publishing requirements. Because the agreement between DMPED and CNHED was documented as a contract and assigned Contract Number DCEB-2018-C-2003, throughout this audit report, for accuracy and consistency, the award will be referred to as a contract.

We found that DMPED had some processes and procedures in place for contract administration. While DMPED took receipt of all deliverable items that were required by the contract, they were all received months after their due dates and more than three months after the completion of the contract. There was no evidence that those deliverables had been reviewed for accuracy and completeness prior to the invoices being paid.

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<sup>1</sup> D.C. Law 22-33, effective December 13, 2017.

# Background

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The Fiscal Year 2018 Budget Support Act of 2017 stipulates that the Office of the Deputy Mayor for Planning and Economic Development (DMPED) award \$200,000 to the Coalition for Nonprofit Housing & Economic Development (CNHED). That requirement was met by contract DCEB-2018-C-2003. The purpose of the funding was for CNHED to “perform a procurement analysis to facilitate new contracts for products and services to minority-owned businesses from targeted anchor institutions.”

CNHED is a 501 (c)(3) member association that supports the nonprofit housing and economic development industry in the District and was selected as the sole source for this procurement analysis, based on in-depth knowledge about the challenges and opportunities for small business in the District, according to DMPED’s Determination and Findings for Sole Source Procurement.

The time needed to process a grant award is greater than the time needed for award of a contract, so DMPED made the decision to use a contract to streamline the overall process.

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**Figure 1: Advance Publishing Requirements for Earmarked Grants and Sole Source Contracts**

Earmarked Grant	Sole Source Contract
14-Day Advance Publishing Requirement	10-Day Advance Publishing Requirement

Source: D.C. Code § 1-328.13 and 27 DCMR § 1304.1

According to background information in the CNHED contract with DMPED, the District has the fifth largest minority business enterprise (MBE) community in the nation. According to the contract language, however, the District’s minority-owned small businesses have not proportionately reaped the benefits of regional economic growth. In the District, education and medical institutions are among the top 10 major private-sector employers, and the 18 anchor institutions<sup>2</sup> spend a collective \$2 billion per year on goods and services.

CNHED established the DC Community Anchor Partnership (DCAP)<sup>3</sup> to help advance equitable economic development in the District by working collaboratively with a predetermined group of medical and educational institutions. During the award period of the CNHED contract, the procurement history for five predetermined anchor institutions (Georgetown University, George Washington University, Children’s National Health System, Sibley Memorial Hospital, and BridgePoint Health) was analyzed, and the resulting data was to be used to help minority-owned small businesses identify increased procurement opportunities. The goal was to stimulate creation of jobs, economic growth, and advancement for

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2 ODCA’s work focused on the five anchor institutions that were selected for the first phase of the DC Community Anchor Partnership.

3 DC Community Anchor Partnership <https://www.cnhed.org/special-initiatives/dc-community-anchor-partnership-dcap/>

entrepreneurs of color with the assumption that it would improve economic outcomes for low- and moderate-income D.C. residents.

The last audit of earmarks ODCA conducted was published February 24, 2010, and included a review of 154 earmarks. The Council of the District of Columbia (The Council) did not authorize any earmarked grants in fiscal years 2010 through 2017.

# Objective, Scope, and Methodology

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## Objectives

ODCA's objectives were to determine whether:

- DMPED complied with the requirements set forth in the Fiscal Year 2018 Budget Support Act of 2017, Title II, Subtitle L., sections 2111 and 2112, and with the terms and conditions of the agreement.
- Sufficient internal controls related to invoicing were in place to administer the contract and effectively ensure that District funds were properly managed and used only for their intended purposes.

## Scope

The audit scope was Fiscal Year (FY) 2018, specifically from the inception of the contract between DMPED and CNHED on December 20, 2017, through final payment on September 19, 2018. We found that the deliverables were submitted to DMPED after conclusion of the award period and outside of the audit scope. They were, however, included in the review because the information was pertinent to drawing conclusions about the internal controls related to invoicing.

## Methodology

To complete this audit, ODCA interviewed DMPED staff, and reviewed documentation and information provided by DMPED. Documentation included contract DCEB-2018-C-2003, three invoices submitted by CNHED, a final update memo submitted by CNHED, three payment records from the SOAR accounting system, four deliverables reports submitted by CNHED, CNHED action plans to five anchor institutions, and District Government and DMPED's internal policy and procedure documents.

In addition, the financial information (i.e., record of payment made to CNHED) was confirmed by direct review of SOAR, the District's system of accounting and recording.

ODCA conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that ODCA plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. ODCA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

# Audit Results

While DMPED entered into a contract with CNHED, it had insufficient controls in place to effectively ensure that District funds were properly managed, which delayed potential opportunities for anchor institutions’ procurement from minority businesses.

DMPED approved and paid invoices prior to the completion of the deliverable reports. DMPED received the four deliverable reports on January 16, 2019, over three months after completion of the contract award period (September 30, 2018), and over nine months past the due date for the first deliverable report. Also, there was no evidence to support that DMPED reviewed the deliverable reports.

The District paid CNHED a total of \$200,000 based on the invoices submitted by CNHED before CNHED completed the full scope of work.

**Figure 2: Status of Required Deliverable Reports**

Invoice #	Invoice Amount	Date Paid	CNHED Billed for Work Conducted on Deliverables	Due Date	Deliverable Reports Submitted
DMPED-DCAP-01	\$69,973.72	6/5/18	#1 Procurement Baseline Spending Level Data #3 Supplier Diversity Process Benchmarking	3/30/18 5/31/18	1/16/19
DMPED-DCAP-02	\$87,486.94	7/17/18	#1 Procurement Baseline Spending Level Data #2 Procurement Analysis Reports #3 Supplier Diversity Process Benchmarking	3/30/18 5/31/18 5/31/18	1/16/19
DMPED-DCAP-03	\$42,539.34	9/19/18	#1 Procurement Baseline Spending Level Data #2 Procurement Analysis Reports #3 Supplier Diversity Process Benchmarking #4 Streamlined MBE Identification, Screening, Preparation, and Matching	3/30/18 5/31/18 5/31/18 9/3/18	1/16/19
<b>\$200,000.00</b>					

Per the contract, due dates for deliverable reports spanned from March 30, 2018, through September 3, 2018, but the four deliverable reports were not received by DMPED until January 16, 2019, as evidenced by a report submission email from CNHED to DMPED. The contract also stipulates that the District will make payment on submission of a “proper invoice” and that includes submission of “other supporting

documentation” as required, which would be the deliverable reports outlined in the contract.

In addition, when deliverable report #2 was received it was incomplete, as it did not include information on CNHED’s delivery of reports of recommendations to anchor institutions. Although reports were delivered to anchor institutions, it was more than two months after the due date. DMPED made a specific inquiry to CNHED to determine report delivery dates.

**Figure 3: Reports of Recommendations and Delivery Dates to Anchor Institutions**

<b>Anchor Institution</b>	<b>Report Delivery Date</b>
Sibley Memorial Hospital	8/15/18
George Washington University	8/21/18
Children’s National Health System	8/29/18
Georgetown University	9/11/18
BridgePoint Healthcare	9/24/18

The CNHED action plans to five anchor institutions contained information such as the 10 top D.C. MBE vendors by procurement categories (such as, janitorial and construction), and plans for a cross-anchor convening to share feedback and implementation strategies. Specific to each individual anchor institution was information on the institution’s overall contracting, current procurement with minority firms, and proposed annual targets reflecting significant increases in spending with minority business enterprise vendors.

DMPED did not have detailed standard operating procedures (SOPs) for contract administrators’ responsibilities. In addition, the contract administrator appointed by DMPED delegated her responsibilities to another DMPED staff person. DMPED employees did not thoroughly monitor compliance with the terms of the contract.

Invoices submitted by the contractor were paid in full by the District prior to receiving written evidence that the work was completed. In addition, the invoices had not been thoroughly reviewed and approved by the appropriate agency officials, to support making payments.

Late submission of the results of CNHED’s procurement analysis resulted in a delay in providing primary procurement information and minority spending targets for the anchor members designed to help them develop new contracts for products and services with the minority-owned businesses. In addition, DMPED failed to confirm the establishment of any new or enhanced relationships that may have resulted from CNHED’s analysis and recommendations.

## **Recommendation**

DMPED should develop and implement SOPs that detail the contract administrators' responsibilities, including review and approval of invoices and supporting documentation to ensure compliance with contract terms. Procedures should also include delegation of contract administrators' responsibilities.

# Conclusion

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DMPED's administration of contracts is important in effectively ensuring that District funds are properly managed and used only for their intended purposes. While DMPED entered into a contract with CNHED, it had insufficient controls in place to effectively ensure that District funds were properly managed, which delayed potential opportunities for anchor institutions' procurement from minority businesses in enough time to reach proposed DC MBE spend targets.

We determined that DMPED could improve internal controls related to invoicing and contract administration and thereby improve the timeliness of contract outcomes.

We want to acknowledge DMPED's staff and management for their responsiveness and cooperation during this audit. We anticipate that the implementation of our recommendations to develop and implement more detailed standard operating procedures for contract administration, to include delegation of duties, will improve the efficiency with which contracts are monitored, and simultaneously ensure that District funds are properly managed and used only for their intended purposes.

# Agency Comments

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On January 17, 2020, we sent a draft copy of this report to DMPED for review and written comment. DMPED responded on January 31, 2020. Agency comments are included here in their entirety, followed by ODCA's response.



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Executive Office of the Mayor  
Office of the Deputy Mayor for Planning and Economic Development



January 30, 2020

Kathleen Patterson  
District of Columbia Auditor  
Office of the District of Columbia Auditor  
717 14<sup>th</sup> Street NW  
Suite 900  
Washington, DC 20005

Dear Ms. Patterson:

This letter is in response to your draft report, **Earmark Review: Coalition for Non-Profit Housing and Economic Development**, dated January 17, 2020.

We have carefully reviewed the draft report and submit our responses setting forth DMPED's actions taken or planned or reasons for any disagreements with the observations or recommendations or in a few instances, solutions that DMPED believes, are more appropriate.

DMPED agrees with some of the report's observations. Agency leadership and staff are currently reviewing DMPED's contracts, procurement, and grant policies and procedures with the assistance of our General Counsel's office to ensure that the agency remains in compliance with DMPED contracts, procurement, and grants policy and procedures and to ensure compliance with the 27 DCMR, PPRA, DC Code and other related regulations.

Also, DMPED has taken the steps to modify and strengthen processes related to implementing and administering contracts and grants to ensure proper administration and management of invoices and supporting documentation.

We submit the following response to the report's recommendations:

*DMPED is actively working to develop and implement Standard Operating Procedures (SOPs) that detail the contract administrators' responsibilities, including review and approval of invoices and supporting documentation to ensure compliance with contract terms. In fall of 2019, DMPED assigned an employee to work with the Director of the Office of Contracts and Grants to review existing processes, identify areas for improvement, and strengthen the guidance available to contract administrators. The updated procedures will address delegation of contract administrators' responsibilities and be supplemented by trainings for staff, anticipated to take place by Q3 2020.*

Kathleen Patterson, District of Columbia Auditor

Response Letter: **Earmark Review: Coalition for Non-Profit Housing and Economic Development**

January 21, 2020

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**DMPED's Response:** As noted above, the agency has taken the steps to modify and strengthen processes related to implementing and administering contracts and grants to ensure proper administration and management of invoices and supporting documentation.

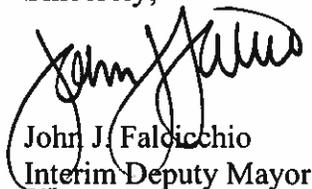
The agency will be working in conjunction with the Office of Contracting and Procurement to ensure that Contract Administrators (CA) receive adequate OCP Contract Administrator training and supplemental training specific to DMPED. Contract Administrators will be advised that CA duties can not be delegated and must be performed by the assigned CA.

The agency is working with our General Counsel's office to ensure compliance with this recommendation. Additionally, we continue to increase our frequency of internal coordination by conducting staff trainings and actively updating existing policies and procedures.

DMPED remains committed to the continued improvement of services to the District and continuously seeks to ensure the most judicious use of District funds to support the agency's mission of expanding job opportunities, affordable housing, and tax revenue in the city.

Finally, DMPED greatly values the high quality work products delivered by CNHED, which helped to inform and advance a top Mayoral priority – creating new opportunities for our small, local and minority-owned business community.

Sincerely,



John J. Falcicchio  
Interim Deputy Mayor

JJF/jm

JOHN J. FALCICCHIO  
INTERIM DEPUTY MAYOR

# ODCA Response to Agency Comments

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We thank DMPED for their cooperation during our audit. ODCA is pleased that DMPED is actively working to develop and implement Standard Operating Procedures (SOPs) that detail the contract administrator’s responsibilities, including review and approval of invoices and supporting documentation to ensure compliance with contract terms and to learn that Contract Administrators (CA) will be advised that CA duties cannot be delegated.

In response to the administration’s request, we performed a supplementary internal review of the draft report and its appendices. Based on that review, we have decided to remove the appendices, which contained the contract deliverables, because they were not critical to the report and findings.

# Summary of Report Recommendation

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The recommendation in this report can be implemented without any additional cost to the agency, and help to advance the goals of DMPED, as seen below.

Recommendation	Is There a Cost to the Agency/ Entity to Implement?	Potential to Generate Revenue or Savings to the District?	Specific Agency/Entity or District-Wide Goal Advanced by Recommendation
<p>1. DMPED should develop and implement standard operating procedures that detail contract administrators’ responsibilities, including review and approval of invoices and supporting documentation to ensure compliance with contract terms. Procedures should also include delegation of contract administrators’ responsibilities.</p>	<p>No</p>	<p>No</p>	<p>“In June 2015, Mayor Muriel Bowser established the Procurement Accountability and Review Board (PARB) to improve the quality, efficiency, and integrity of the contracting and procurement process within the District.”</p>

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# About ODCA

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The mission of the Office of the District of Columbia Auditor (ODCA) is to support the Council of the District of Columbia by making sound recommendations that improve the effectiveness, efficiency, and accountability of the District government.

To fulfill our mission, we conduct performance audits, non-audit reviews, and revenue certifications. The residents of the District of Columbia are one of our primary customers and we strive to keep the residents of the District of Columbia informed on how their government is operating and how their tax money is being spent.

**Office of the District of Columbia Auditor**

**717 14th Street N.W.**

**Suite 900**

**Washington, DC 20005**

**Call us:** 202-727-3600

**Email us:** [odca.mail@dc.gov](mailto:odca.mail@dc.gov)

**Tweet us:** [https://twitter.com/ODCA\\_DC](https://twitter.com/ODCA_DC)

**Visit us:** [www.dcauditor.org](http://www.dcauditor.org)



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