

**TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL**

**BEFORE THE  
COUNCIL OF THE DISTRICT OF COLUMBIA  
COMMITTEE OF THE WHOLE**

**PUBLIC OVERSIGHT HEARING ON THE  
“FISCAL YEAR 2019 COMPREHENSIVE ANNUAL  
FINANCIAL REPORT (CAFR)”**

**FEBRUARY 5, 2020**

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Good afternoon Chairman Mendelson and Members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. Accompanying me today are staff from the Office of the Inspector General (OIG) and representatives from SB & Company, LLC (SB&C), the independent auditor contracted by the OIG to audit the District’s financial statements.

I am pleased to testify before you today on the District’s Fiscal Year (FY) 2019 Comprehensive Annual Financial Report (CAFR) audit results. This year marks the 23<sup>rd</sup> consecutive year that the District has received a “clean” opinion from its independent auditors. Additionally, this is the fifth consecutive year of reporting no material weaknesses<sup>1</sup> or significant deficiencies.<sup>2</sup>

As we’ve done in previous years, we will be issuing a *Management Recommendation Report* that includes several findings and recommendations designed to improve internal controls within the District. Addressing these findings is imperative to ensure they do not become larger problems that affect the District’s financial reporting.

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<sup>1</sup> A “material weakness” is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

<sup>2</sup> A “significant deficiency” is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **CAFR CONTRACT ADMINISTRATION AND OVERSIGHT**

As you are all aware, the OIG is statutorily responsible for contracting with an independent “auditor who is not an officer or employee of the [OIG]”<sup>3</sup> to “audit the complete financial statement and report on the activities of the District government for [each] fiscal year.”<sup>4</sup> In awarding this contract, the OIG must ensure that the same independent auditor is not used for more than five (5) consecutive fiscal years.<sup>5</sup> FY 2019 represents the fifth and final year the OIG has contracted with SB&C to audit the District’s financial statements. I would like to thank SB&C for their work over the last five years.

Within the next few weeks, the OIG will transmit, through the executive, the next CAFR contract for Council’s consideration. We have structured this award so that there is a smooth transition between SB&C and the next CAFR independent auditor.

## **CONCLUSION**

Before I ask Mr. Graylin Smith of SB&C to provide an overview of the FY 2019 CAFR audit results, I would like to take this opportunity to thank the CAFR Committee members for their leadership and expertise in monitoring the CAFR audit over the last several months, keeping management and others abreast of the status of ongoing work, and assisting the independent auditors in completing the audit on schedule.

With that, I will turn it over to Mr. Smith of SB&C.

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<sup>3</sup> D.C. Code § 1-301.115a(a)(4).

<sup>4</sup> *Id.* § 1-301.115a(a)(3)(H).

<sup>5</sup> *Id.* § 1-301.115a(a)(4)(A).