




DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

MANAGEMENT IMPLICATION REPORT

To: Hon. Muriel Bowser
Mayor

Kevin Donahue
City Administrator

From: Daniel W. Lucas
Inspector General 

Date: April 11, 2025

Subject: **Management Implication Report (MIR) – Grant Management Practices**
OIG No. 2025-MIR-01 (IU-24-00498)

In accordance with D.C. Code § 1-301.115a(a-1)(3), which requires me to inform District leadership of issues related to the administration of government programs and operations, I am sending this Management Implication Report to notify you of significant deficiencies in grant management practices across multiple District agencies that may have resulted in substantial financial losses and ineffective oversight of public funds.

I. BACKGROUND

The District of Columbia awards millions of dollars in grants annually to support various economic development initiatives, community programs, and social services. These grants are critical instruments for implementing District policies and serving residents. Effective grant management requires robust internal controls to ensure that grant funds are awarded to eligible recipients and that disbursements are made only when recipients meet predetermined performance milestones.

Through several recent engagements, the Office of the Inspector General (OIG) has identified widespread and systemic weaknesses in the District's grant management practices. These weaknesses have resulted in the expenditure of over \$2M without adequate verification of eligibility requirements or achievement of performance milestones.

II. OBSERVATIONS

A. Eligibility Verification Deficiencies

District agencies often fail to adequately verify the eligibility of grant applicants prior to award:

1. **Inconsistent Application of Criteria:** Agencies accept self-attestations without independent verification of eligibility requirements.
2. **Inadequate Documentation Review:** Grant managers approve applications without thoroughly examining supporting documentation or cross-referencing information with available government databases.
3. **Limited Cross-Agency Information Sharing:** Agencies underutilize available District resources to verify tax compliance, business registration, and other requirements.

B. Performance Milestone Verification Weaknesses

After initial disbursements, District agencies often fail to verify the completion of prerequisite performance prior to disbursing subsequent grant payments:

1. **Insufficient Evidence of Completion:** Agencies release performance-based payments without obtaining adequate documentation demonstrating required achievements.
2. **Lack of Physical Verification:** For grants involving construction or tangible deliverables, agencies rarely conduct site visits or inspections to verify reported progress.
3. **Over-reliance on Self-Reporting:** Grant managers accept grantees' self-reported progress without independent verification.
4. **Weak Enforcement of Deadlines:** When grantees miss established timelines, agencies extend deadlines or continue disbursements without formal amendments or sufficient justification.

III. POTENTIAL IMPACTS

The above deficiencies and weaknesses in grant management practices have significant implications for the District:

A. Financial Impact

1. **Improper Payments:** The District has disbursed over \$2M to ineligible recipients or for unmet performance requirements.
2. **Recovery Challenges:** Once funds are improperly disbursed, the District faces legal and practical challenges in recovering these funds, particularly when grantees have already expended the money.

B. Programmatic and Government Impact

1. **Unmet Objectives:** When grantees receive funds without achieving required performance milestones, program objectives remain unfulfilled, depriving residents of intended benefits.
2. **Diminished Accountability:** Weak verification processes undermine accountability throughout the grant lifecycle and may result in grantees neglecting their obligations.
3. **Erosion of Public Trust:** Failures in grant management damage public trust in the District's stewardship of taxpayer funds.
4. **Audit Findings and Federal Compliance Issues:** The noted deficiencies and weaknesses may result in adverse findings during federally-required audits and non-compliance with federal grant requirements, potentially affecting the District's ability to receive future federal funding and its overall financial standing and reputation.
5. **Legal Vulnerability:** Insufficient controls may expose the District to legal liability, including: (1) claims related to breach of fiduciary duty in managing public funds; (2) penalties for non-compliance with federal grant requirements; and (3) potential third-party claims from stakeholders who relied on proper grant administration.

IV. RECOMMENDATIONS

To address noted deficiencies and weaknesses, I recommend that the City Administrator:

1. **Standardize Eligibility Verification:** Establish government-wide procedures for verifying applicant eligibility, including required documentation and database checks.

2. **Implement Milestone Verification Protocols:** Create guidelines for verifying performance milestone completion, including documentation requirements and inspection processes, as necessary.
3. **Enhance Information Sharing:** Develop a system for sharing grantee information across agencies, including tax compliance and past performance.
4. **Provide Specialized Training:** Deliver comprehensive training for grant managers on verification procedures and oversight responsibilities.
5. **Establish Centralized Oversight:** Create a specialized unit to provide technical assistance and quality control for grant programs.

V. CONCLUSION

By implementing the recommendations above, the District can mitigate risk to the effective and responsible use of public funds, enhance accountability, reduce potential financial losses, and ensure that grant programs deliver their intended benefits to residents.

I request that the Office of the City Administrator provide a written response to this Management Implication Report within 60 days of receipt, detailing the actions taken or planned to address these concerns, including timelines for implementation and specific responsibility assignments. Please have your team send the response to Kathryn Jones, Assistant Inspector General for Investigations, at kathryn.jones@dc.gov.

Should you need additional information concerning this report, please contact me or Ms. Jones. In addition to the above email address, Ms. Jones may be reached by phone at 202-727-5864.

Thank you for your support of good governance in the District of Columbia government.