DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS

Evaluation of the Internal Control Environment as of August 31, 2019

Guiding Principles
*Workforce Engagement * Stakeholders Engagement * Process-oriented * Innovation*
** Accountability * Professionalism * Objectivity and Independence * Communication * Collaboration*
** Diversity * Measurement * Continuous Improvement*

Mission

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;

- promote economy, efficiency, effectiveness, and accountability;

- inform stakeholders about issues relating to District programs and operations; and

- recommend and track the implementation of corrective actions.

Vision

Our vision is to be a world-class Office of the Inspector General that is customer-focused, and sets the standard for oversight excellence!

Core Values

Excellence * Integrity * Respect * Creativity * Ownership * Transparency * Empowerment * Courage * Passion * Leadership

WE ARE
WASHINGTON
DC

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

OIG

December 10, 2019

Ernest Chrappah
Director
Department of Consumer and
Regulatory Affairs
1100 4th Street, S.W.
Washington, D.C. 20024

Dear Director Chrappah:

Enclosed is the final report entitled: *Department of Consumer and Regulatory Affairs' (DCRA): Evaluation of the Internal Control Environment as of August 31, 2019.* We appreciate DCRA's responsiveness to provide comments to our report. The OIG contracted with Federal Management Systems, Inc. (FMS) to conduct the agency-wide evaluation. This evaluation was not identified in our *Fiscal Year 2019 Audit and Inspection Plan.*[1]

The objectives of this evaluation were to: (1) assess DCRA's internal control environment; and (2) identify areas at risk of loss through errors, theft, or noncompliance with District law and regulations. FMS conducted this evaluation under standards promulgated by the Council of the Inspectors General on Integrity and Efficiency and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government,* commonly referred to as the "Green Book." While the Green Book sets internal control standards for federal entities, it is optional within state and local governments. As such, the enclosed report should be viewed as best-practice findings and recommendations for DCRA's considerations to design, implement, and operate internal controls.

We provided DCRA with FMS draft report on December 3, 2019, and received its responses on December 6, 2019, which is included as Appendix E to this report. Based on DCRA's response, we re-examined FMS' facts and conclusions and determined that the report is fairly presented. We appreciate that DCRA officials began addressing some of our findings immediately upon notification during the audit.

Overall the draft report included 17 recommendations to help DCRA develop and document its internal control system so the agency can have reasonable assurance that it will achieve its organizational objectives. For Recommendations 1-3 and 7-17, DCRA's actions taken and/or planned are responsive and meet the intent of the recommendations. Although DCRA did not agree with Recommendations 2 and 8, DCRA's actions taken and/or planned are responsive and meet the intent of the recommendations. Therefore, we consider these (1-3 and 7-17) recommendations resolved but open pending evidence of stated actions.

---

[1] This document is accessible on the OIG website at https://oig.dc.gov.

Director Chrappah
OIG Final Report: *DCRA: Evaluation of the
Internal Control Environment as of
 August 31, 2019*
December 10, 2019
Page 2 of 3

For the remaining Recommendations 4-6, DCRA stated it "is reviewing [these] recommendation[s]." Therefore, we consider these recommendations open and unresolved. We request that within 30 days of the date of this final report, DCRA complete its review and provide us with its response.

We appreciate the cooperation and courtesies extended to FMS and our staff during this audit. If you have any questions concerning this report, please contact me or Fekede Gindaba, Deputy Assistant Inspector General for Audits, at (202) 727-2450.

Sincerely,

Daniel W. Lucas
Inspector General

DWL/fg

Enclosure

cc: See Distribution List

Director Chrappah
OIG Final Report: *DCRA: Evaluation of the
Internal Control Environment as of
 August 31, 2019*
December 10, 2019
Page 3 of 3

DISTRIBUTION:

The Honorable Muriel Bowser, Mayor, District of Columbia, Attention: Betsy
    Cavendish (via email)
Ms. Lucinda Babers, Deputy Mayor for Operations and Infrastructure, District of
    Columbia (via email)
Mr. Rashad M. Young, City Administrator, District of Columbia (via email)
Mr. Barry Kreiswirth, General Counsel, City Administrator, District of Columbia (via
    email)
The Honorable Phil Mendelson, Chairman, Council of the District of Columbia (via
    email)
The Honorable Brandon T. Todd, Chairperson, Committee on Government Operations,
    Council of the District of Columbia (via email)
Mr. John Falcicchio, Chief of Staff, Executive Office of the Mayor (via email)
Ms. LaToya Foster, Director of Communications, Office of Communications, Executive
     Office of the Mayor (via email)
Ms. Jennifer Reed, Director, Office of Budget and Performance Management (via email)
Ms. Nyasha Smith, Secretary to the Council (via email)
The Honorable Karl Racine, Attorney General for the District of Columbia (via email)
Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight, Office of the
    Chief Financial Officer (via email)
The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor,
    Attention: Cathy Patten (via email)
Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management (via email)
Ms. Berri Davis, Director, FMA, GAO, (via email)

FEDERAL MANAGEMENT SYSTEMS, INC.

ON BEHALF OF
THE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS

EVALUATION OF THE
INTERNAL CONTROL ENVIRONMENT
AS OF
AUGUST 31, 2019

FMS
FEDERAL MANAGEMENT SYSTEMS, INC.

Prepared For: ████████████, Contracting Officer   **December 2019**
████████████, Contract Administrator
717 14th Street, N.W.
Washington, D.C. 20005

EXECUTIVE SUMMARY

DCRA'S CURRENT INTERNAL CONTROL SYSTEM DOES NOT ADEQUATELY SUPPORT ORGANIZATIONAL OBJECTIVES

Why FMS Conducted This Evaluation

Federal Management Systems, Inc. (FMS) contracted with the District of Columbia Office of the Inspector General (OIG) to conduct an agency-wide evaluation of the Department of Consumer and Regulatory Affairs' (DCRA) internal control environment to identify areas at risk (risk assessment) of loss through fraud, errors, theft, or noncompliance with District law and regulations.

How FMS Conducted This Evaluation

FMS conducted this evaluation under standards promulgated by the Council of the Inspectors General on Integrity and Efficiency and used the U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book) to evaluate DCRA's internal control environment. Although DCRA is not required to follow the Green Book, the GAO recommends that state, local, and quasi-governmental entities use its internal control standards to support the effective design, implementation, and operation of an internal control system. The Green Book defines internal control as a "process used by management to help an entity achieve its objectives."[1] Internal controls are the system in place to reasonably assure the integrity of the process. Further, the Green Book explains that "[m]anagement is directly responsible for all activities of an entity, including the design, implementation, and operating effectiveness of an entity's internal control system."[2] The internal control system is comprised of five components that "must be effectively designed, implemented, and operating, and operating together in an integrated manner, for an internal control system to be effective."[3] The five components of internal control are: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.[4]

The Green Book defines 17 internal control principles to support the effective design, implementation, and operation of an internal control system; five principles are specific to the control environment and four to risk assessments. Further, GAO uses internal control attributes to more precisely explain the internal control principles and documentation requirements that may be appropriate for an entity to demonstrate the effective design, implementation, and operation of an internal control system.

FMS used a questionnaire consisting of 29 questions pertaining to the control environment component and 19 questions pertaining to the risk assessment component. DCRA responded to all questions.

---

[1] U.S. Gov't Accountability Office, GAO-14-704G, Standards for Internal Control in the Federal Government, Title Page (Sept. 2014), https://www.gao.gov/products/GAO-14-704G.
[2] *Id*. § OV2.14 at 11-12.
[3] *Id*. § OV2.04 at 7.
[4] See Appendix B for additional information about what the Green Book is and how it is used.

What FMS Found

Internal Control Environment

DCRA could strengthen its internal control environment by creating or adopting an internal control framework to design, implement, and operate an effective internal control system. Our evaluation of DCRA's responses to 29 questions related to the 5 principles of the control environment component (Demonstrate Commitment to Integrity and Ethical Values; Exercise Oversight Responsibility; Establish Structure, Responsibility, and Authority; Demonstrate Commitment to Competence; and Enforce Accountability) indicated that DCRA can make improvements in six areas. When addressed, these improvements can increase DCRA's assurances that they; run their operations efficiently and effectively, report reliable information about their operations, and comply with applicable laws and regulations. Opportunities to strengthen DCRA's internal control system are discussed below.

1. *DCRA could identify and adopt an internal control framework to set internal control standards (Principle: Exercise Oversight Responsibility; Attribute: Oversight for the Internal Control System).* A framework or criteria, like the Green Book, would help DCRA establish a blueprint for how to implement an effective internal control system. DCRA officials said they understood the need for a framework or criteria, and a contractor has been engaged to develop the framework and make recommendations.

2. *DCRA could improve its strategic planning process to set organizational objectives (Principle: Establish Structure, Responsibility, and Authority; Attribute: Organizational Structure).* DCRA has not formalized a process for developing a strategic plan that would provide details about the agency's goals, objectives, alternative courses, and periodic assessment of the organization's strengths and weaknesses. DCRA officials explained that, based on meetings with stakeholders, DCRA published a "Vision 2020 website" as a short-term plan. Our review of the "Vision 2020 website" indicated that DCRA sets a timeline when the agency plans to complete its needs assessments for budget, regulatory reform, communications, people, processes, and technology. While the agency's planned needs assessments may be a short-term response to immediate stakeholder concerns, and shows the agency's commitment to improving services for residents, businesses, and employees, it is in DCRA's best interest to formalize a process to develop a long-term strategic plan.

3. *Employees' authorities and responsibilities have not been clearly established (Principle: Establish Structure, Responsibility, and Authority; Attribute: Assignment of Responsibility and Delegation of Authority).* DCRA has drafted various standard operating procedures (SOP) that have not been issued to its employees. SOPs are tools for establishing authorities and responsibilities. We found, however, that DCRA has not developed SOPs to establish authorities and responsibilities for 46 of 69 business processes that DCRA identified. Senior management at DCRA stated that 30 SOPs had been identified and updated within the last 2 months. According to the DCRA "Vision 2020 website," DCRA plans to complete ongoing efforts to (1) fully implement new standard operating procedures and (2) train and hold staff accountable in all key operations by January 2020.

4. ***Commitment to integrity and ethical values could be improved (Principle: Demonstrate Commitment to Integrity and Ethical Values; Attributes: Tone at the Top, Standards of Conduct, Adherence to Standards of Conduct).*** DCRA does not have a written Code of Conduct/Ethics that communicates its expectations concerning integrity and ethical values to its members. According to the Green Book*,* an organization needs to have a Code of Conduct that is specific to the agency's functions because the "[t]one at the top can be either a driver . . . or a barrier to internal control."[5] Therefore, having a Code of Conduct/Ethics that builds on the District's Code of Conduct, would allow DCRA leadership to set the tone at the top and place specific accountability on staff to meet DCRA's mission.

5. ***Accountability for performance targets could be improved (Principle: Enforce Accountability; Attribute: Enforcement of Accountability).*** DCRA did not meet its targets for the number of inspections completed as scheduled, the number of fines it processed, and the number of re-inspections for vacant buildings. DCRA officials said that the agency dashboard is the mechanism used to monitor and review operations and programs. Further, the dashboard allows DCRA to collect data needed to adjust operations and programs. Our review of the dashboard showed that DCRA missed performance targets for 10 consecutive quarters ending March 31, 2019. Although the dashboard shows DCRA met performance targets in the third and fourth quarters of FY 2019, DCRA did not perform or maintain analysis of the data regarding the targets it met and did not maintain action plans to show how the agency addressed previously missed targets. Part of evaluating performance and holding people accountable would include analyses to determine why the agency missed performance targets and develop corrective action plans to meet future targets.

6. ***Succession and contingency plans could be developed (Principle: Demonstrate Commitment to Competence; Attribute: Succession and Contingency Plans and Preparation).*** DCRA does not have a succession plan to replace personnel over the long-term. It also lacks a contingency plan "to respond to sudden personnel changes that could compromise the internal control system."[6] Succession plans help an agency plan for and execute the replacement of personnel over the long term. Contingency plans address the agency's need to respond to sudden personnel changes that could compromise the internal control system. Further, DCRA has not established an onboarding process, which typically involves integrating a new employee and transferring institutional knowledge so that they become a productive member of the agency. Onboarding, succession, and contingency plans are imperative for DCRA, as more than half of its current senior management we interviewed have been in their positions for less than 1 year as of August 31, 2019.

Some of the benefits internal control provides "management [are:] added confidence regarding the achievement of objectives[;]. . . feedback on how effectively an entity is operating[;] and help[] reduc[ing] risks affecting the achievement of the entity's objectives."[7] Improving its internal control system could help DCRA provide a higher level of service to its customers, improve stewardship of its allocated resources, and improve the amount of resources brought back to the District through imposing and collecting fines.

---

[5] U.S. GOV'T ACCOUNTABILITY OFFICE*, supra* note 1, § 1.05 at 22.
[6] *Id.* § 4.06 at 31.
[7] *Id.*§ OV4.06 at 19.

Risk Assessment

Our evaluation of DCRA's responses to 19 questions related to the 4 principles of the Risk Assessment component (Define Objectives and Risk Tolerance; Identify, Analyze, and Respond to Risk; Assess Fraud Risk; and Analyze and Respond to Change) indicated that DCRA can make improvements in 8 areas, 2 of which are detailed below.

1. DCRA has not formally conducted a risk assessment for the entire agency. An agency-wide risk assessment could help leadership plan for and respond to internal and external risks (Principle: Identify, Analyze, and Respond to Risk; Attributes: Identification of Risks; Analysis of Risks; Response to Risks). DCRA officials said that the District's Office of Risk Management (ORM) is responsible for assessing risks for District agencies that are under the Mayor's purview. A risk assessment would allow DCRA to identify and respond to the risks associated with meeting its mission.

2. A risk assessment would also consider fraud that may result in a loss by errors, thefts, and noncompliance with District laws and regulations. For example, DCRA did not identify the risk that DCRA staff may use their positions to extort customers seeking to obtain licenses and permits. A fraud risk assessment would provide details about that risk and how DCRA would detect and prevent it.

If DCRA addresses these two areas – an agency-wide risk assessment and a fraud risk assessment – the remaining six areas in need of improvement will be mitigated. Please see Figure 1 on page 12 for details regarding the six areas. Due to the need to improve in these eight areas, DCRA may not have reasonable assurance that risks of loss through fraud, errors, theft, or noncompliance with District law and regulations are effectively identified, analyzed, and addressed.

What FMS Recommends

We made 17 recommendations to help DCRA develop and document its internal control system so the agency can have reasonable assurance that it will achieve its mission.

Table of Contents

BACKGROUND

DCRA's mission is to "[support] a thriving community of residents, businesses, and visitors through diligent protection of health and safety and equitable administration of regulation and compliance in our District."[8]

The agency is responsible for:

- Regulating construction and business activity in the District of Columbia.

- Reviewing construction documents to ensure compliance with building codes and zoning regulations.

- Inspecting construction activity, buildings, and rental housing establishments, and housing code violations are abated, if necessary.

- Issuing business and professional licenses, and registering corporations.

- Inspecting weighing and measuring devices used for monetary profit.

- Issuing special event permits.

INTERNAL CONTROL SYSTEM

The U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book) defines the internal control system as: "a continuous built-in component of operations, effected by people, that provides reasonable assurance, not absolute assurance, that an entity's objectives will be achieved."[9] Some of the benefits internal control provides "management [are:] added confidence regarding the achievement of objectives[;]. . . feedback on how effectively an entity is operating[;] and help[ ] reduc[ing] risks affecting the achievement of the entity's objectives."[10]

Management develops, implements, and monitors internal control. Internal control includes plans, methods, policies, and procedures, so an agency's operations are efficient and effective.[11] Further, internal control helps assure accurate financial reporting and helps to prevent fraud, waste, and abuse.

The Green Book explains that "[m]anagement is directly responsible for all activities of an entity, including the design, implementation, and operating effectiveness of an entity's internal control system."[12] The Green Book approaches internal control through a hierarchical structure

---

[8] *About DCRA*, D.C. DEP'T OF CONSUMER & REGULATORY AFFAIRS, https://dcra.dc.gov/page/about-dcra-0 (last visited Nov. 21, 2019).
[9] U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 1, § OV1.04 at 5.
[10] *Id.* § OV4.06 at 19.
[11] *Id.* §§ OV1.01-1.03 at 5.
[12] *Id.* § OV2.14 at 11-12.

of five components that help an entity run its operations, report reliable information about its operations, and comply with laws and regulations. The five components of internal control are:

- **Control Environment** – The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

- **Risk Assessment** – Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

- **Control Activities** – The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

- **Information and Communication** – The quality information management and personnel communicate and use to support the internal control system.

- **Monitoring** – Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. [13]

The Green Book defines 17 internal control principles to support the effective design, implementation, and operation of an internal control system; five principles are specific to the control environment and four to risk assessments. Further, GAO uses internal control attributes to more precisely explain the internal control principles and documentation requirements that may be appropriate for an entity to demonstrate the effective design, implementation, and operation of an internal control system.

RISK ASSESSMENT

After setting the control environment, management should consider risks that would prevent the organization from meeting its objectives.[14] The Green Book defines risk as to the "possibility that an event will occur and adversely affect the achievement of objectives."[15] Risk is a measure of possible future losses or gains of value because of a known and or unknown action or inaction. Risk is also defined in terms of exposure. Management conducts a risk assessment to determine actions or events that may prevent the agency from achieving its objectives, "including the potential impact of significant changes, fraud, and management override of internal control."[16]

---

[13] *Id.* § OV2.04 at 7-8.
[14] *Id.* at 34.
[15] *Id.* at 78.
[16] *Id.* § 2.09 at 26.

FINDINGS

DCRA could strengthen its internal control environment by creating criteria or adopting an internal control framework to design, implement, and operate an effective internal control system. Absent a formalized internal control system, DCRA is at risk of loss through fraud, errors, theft, or noncompliance with District laws and regulations

EVALUATION OF DCRA'S INTERNAL CONTROL ENVIRONMENT AS OF AUGUST 31, 2019

DCRA should consider identifying and adopting an internal control framework. The Green Book defines internal control as a "process used by management to help an entity achieve its objectives."[17] Internal controls are the system in place to reasonably assure the integrity of the process. According to the Green Book, an effective internal control system must have all five components of internal control effectively designed, implemented, and operating together. "If a principle or component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective."[18]

A framework or criteria, like the Green Book or a similar framework, would help DCRA establish a blueprint for how to implement an internal control system by defining the factors to consider when developing the system. DCRA officials said they understood the need for a framework or criteria, and a contractor has been engaged to develop the framework and make recommendations. Our review of the statement of work indicated that a contractor has been engaged "to design, deliver and lead the implementation of a risk-based internal audit program that is designed to ensure compliance with applicable laws, regulations, policies and practices as well as to safeguard against programmatic fraud, waste, abuse and mismanagement." Adopting a framework would help to ensure DCRA achieves its mission while ensuring effective stewardship of District resources. DCRA could have reasonable assurance that its objectives will be achieved.

We recommend that the Director of DCRA:

1. Identify and adopt an internal control framework to be used throughout the agency.

Strategic Planning Process Could Be Improved

DCRA has not formalized a process for developing a strategic plan that would provide details about the agency's goals, objectives, alternative courses, and periodic assessment of the organization's strengths and weaknesses. The Green Book states that"[strategic] plans set the goals and objectives for an entity along with the effective and efficient operations necessary to fulfill those objectives."[19] The Green Book goes on to state that "[e]ffective operations produce

---

[17] *Id.* at Title Page.
[18] *Id.* § OV3.03 at 15.
[19] *Id.* § OV2.19 at 13.

the intended results from operational processes, while efficient operations do so in a manner that minimizes the waste of resources."[20]

We discussed the lack of a process to develop a strategic plan with DCRA officials, who indicated the strategic planning process is embedded as part of the budget formulation process, and referred us to the Agency Performance Plan section in DCRA's Fiscal Year 2019 Budget. DCRA's performance plan lists the activities that DCRA officials explained are tied to the agency's strategic objectives.[21] DCRA officials also stated, based on meetings with stakeholders, that DCRA published a "Vision 2020 website" as a short-term plan. Our review of the "Vision 2020 website" indicated that DCRA sets a timeline when the agency plans to complete its needs assessments for budget, regulatory reform, communications, people, processes, and technology. While the agency's planned needs assessments may be a short-term response to immediate stakeholder concerns and shows the agency's commitment to improving services for residents, businesses, and employees, it is in DCRA's best interest to develop a long-term strategic plan.

As an example of a strategic planning best-practice, GAO's report entitled *NASA's Strategic Planning Process* found an agency needs "a structured, ongoing process that systematically identifies an organization's mission and establishes the goals and objectives that need to be achieved to accomplish that mission" in order to create a strategic plan.[22]

NASA's Strategic Planning Process goes on to state that the process is needed to develop a strategic plan that should have most, if not all, of the following elements:

- A vision statement, which describes what the agency and its programs ultimately intend to achieve.

- Goals, which are the results or outcomes to be achieved over the long-term if the agency fulfills its mission. They provide the context for developing shorter-term objectives.

- Objectives, which are specific, measurable actions to be achieved in the nearer term.

- Alternatives, which are analyzed to determine the potential risks and rewards. The alternative selected should be the one that best fulfills the agency's objectives, goals, and vision.

- An assessment, which evaluates the organization's capabilities, deficiencies, and performance. The organization should periodically assess its strengths and weaknesses and its capacity to carry out plans to achieve approved objectives.[23]

---

[20] *Id.*

[21] D.C. GOV'T, FY 2019 PROPOSED BUDGET AND FINANCIAL PLAN CONGRESSIONAL SUBMISSION, VOL. 2 AGENCY BUDGET CHAPTERS PART I B-122-123 (Jul. 12, 2018).

[22] U.S. GOV'T ACCOUNTABILITY OFFICE, GAO/NSIAD-89-30BR, NASA'S STRATEGIC PLANNING PROCESS 1 (Nov. 1988), https://www.gao.gov/products/NSIAD-89-30BR.

[23] *Id.* at 5.

Without considering additional elements for inclusion in a strategic plan, DCRA may be missing opportunities to inform its stakeholders and employees about its intended direction, the frequency in which it conducts self-evaluations to determine where to focus its attention and resources, and what activities it plans to accomplish in both the near- and long-term. In turn, DCRA operations will be more transparent to stakeholders are interested in DCRA's organizational outcomes.

We recommend that the Director of DCRA:

2. Establish a process for engaging stakeholders, performing and documenting a strategic planning process to develop a long-term strategic plan.

3. Conduct periodic self-assessment of the organization's strengths, weaknesses, opportunities, and threats.

4. Develop a strategic plan to provide details about DCRA's mission, vision, goals, objectives, and alternative courses.

Strategic Planning Process Could Set Long-Term Organizational Objectives

Unlike other District government agencies, DCRA's strategic plan encompassed only 1 year of activities. Without considering activities beyond the fiscal year, DCRA may overlook the long-term consequences of its short-term decision-making process.

For example, the Office of the Chief Financial Officer (OCFO) developed its *Strategic Plan 2014*, which specifies the areas that the agency would focus on in the subsequent 5 years, based on an assessment of stakeholders' needs. OCFO's strategic plan explains: "[t]his Plan is based on a careful review of OCFO operations and systems and discussions and feedback over the past six months with the Mayor, Councilmembers, agency directors, OCFO staff, community and business leaders, and residents of the District."[24]

Ultimately, having a strategic plan is important to communicate to both internal and external stakeholders how the agency intends to achieve its vision. Developing a strategic plan makes the agency's operations transparent so stakeholders can hold the agency accountable for results. A strategic plan covering a 5-year period would establish DCRA's goals and provide stakeholders with a means to measure the agency's progress and effectiveness. Once DCRA establishes its strategic plan, it should consider the duration of its plan and activities.

We recommend that the Director of DCRA:

5. When developing the strategic plan, establish long-term goals that extend beyond the 1-year budget cycle.

---

[24] D.C. OFFICE OF THE CHIEF FIN. OFFICER, *STRATEGIC PLAN 2014* 1 (Aug. 2014), https://otr.cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/Strategic%20Plan_%202014_Revised.pdf.

Employees' Authorities and Responsibilities Have Not Been Clearly Established

Standard operating procedures (SOPs) are tools for establishing authorities and responsibilities. DCRA has not developed SOPs for 46 of 69 of its business processes. We found that DCRA has SOPs in various stages of completion, but they have not been issued and disseminated to staff. Senior management at DCRA stated that 30 SOPs had been identified and updated within the last 2 months. According to the DCRA "Vision 2020 website," DCRA plans to complete ongoing efforts to (1) fully implement new SOPs and (2) train and hold staff accountable in all key operations by January 2020.

The Green Book requires that management document its policies and develop SOPs for each unit. The policies should assign responsibility for each process to ensure that objectives are met and should be based on an assessment of risks. Management should periodically review policies and procedures to assess their effectiveness.[25]

DCRA officials said that authorities and responsibilities are clearly assigned and communicated throughout the organization. We found, however, that DCRA does not document how it communicates responsibilities to employees for 46 of 69 business processes. Further, a policies and procedures manual (PPM), which is a type of SOP, would define functions, identify who is responsible for meeting specific goals, and help DCRA employees understand their role(s) in meeting overall goals.

Overall, SOPs are important to establish consistent processes and outcomes.

We recommend that the Director of DCRA:

6. Develop policies and procedures manual to ensure authorities and responsibilities are clearly established.

7. Develop and distribute policies and SOPs for all DCRA business processes.

Commitment to Integrity and Ethical Values Could be Strengthened

DCRA relied on the District's Code of Conduct as a means to share expectations concerning integrity and ethical values to its staff. According to DCRA officials, instead of an agency-specific Code of Conduct, the agency follows D.C. government-wide policies and procedures from the Department of Human Resources. DCRA officials said the D.C. Board of Ethics and Government Accountability (BEGA) guidelines that are in the District Personnel Manual (DPM)[26] dictate ethical conduct for its employees. Officials added that the DPM also addresses disciplinary action for departing from approved policies and procedures or violating the Code of Conduct. DCRA could build on the District's Code of Conduct to address specific agency functions.

---

[25] U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 1, §§ 12.01-12.04 at 56.
[26] D.C. DEP'T OF HUMAN RES., ELECTRONIC DISTRICT PERSONNEL MANUAL (DPM), https://edpm.dc.gov/ (last visited Nov. 20, 2019).

According to the Green Book:

> Tone at the top can be either a driver . . . or a barrier to internal control. Without a strong tone at the top to support an internal control system, the entity's risk identification may be incomplete, risk responses may be inappropriate, control activities may not be appropriately designed or implemented, information and communication may falter, and results of monitoring may not be understood or acted upon to remediate deficiencies.[27]

The Green Book also states "management establishes standards of conduct to communicate expectations concerning integrity and ethical values."[28] Management should model integrity and ethical values to "reinforce the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations, so that these priorities are understood by all stakeholders, such as regulators, employees, and the general public."[29] Having a Code of Conduct/Ethics that builds on the District's Code of Conduct, would allow for DCRA leadership to set the tone at the top and put specific accountability on staff to meet DCRA's mission "to protect consumers."

We recommend that the Director of DCRA:

8. Using the District of Columbia's Code of Conduct, develop additional ethical guidelines specific to DCRA's mission.

Performance Target Accountability Could be Improved

DCRA did not meet its targets for the number of inspections completed as scheduled, the number of fines it processed, and the number of re-inspections for vacant buildings. DCRA officials said that the agency dashboard is the mechanism the agency uses to monitor and review operations and programs. Further, the dashboard allows DCRA to collect data needed to adjust operations and programs. Our review of the dashboard showed that DCRA missed performance targets for 10 consecutive quarters ending March 31, 2019, which suggest internal controls designed to achieve established targets are ineffective (see appendix D).

According to the Green Book, ensuring that targets are met is management's responsibility:

> Management enforces accountability of individuals performing their internal control responsibilities. Accountability is driven by the tone at the top and supported by the commitment to integrity and ethical values, organizational structure, and expectations of competence, which influence the control culture of the entity. Accountability for performance of internal control responsibility

---

[27] U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 1, § 1.05 at 22.
[28] *Id*. § 1.06 at 23.
[29] *Id.* § 1.04 at 22.

> supports day-to-day decision making, attitudes, and behaviors.
> Management holds personnel accountable through mechanisms
> such as performance appraisals and disciplinary actions.[30]

Although the dashboard shows DCRA met targets in the third and fourth quarters of FY 2019, DCRA had not performed or maintained analysis of the data regarding the targets it met, and did not maintain action plans to show how the agency addressed previously missed targets. Part of evaluating performance and holding people accountable would include analyses to determine why the agency missed performance targets and to develop corrective action plans to meet future targets.

We recommend that the Director of DCRA:

9. Examine current employee workload to establish performance targets that are clear and measurable.

10. Develop procedures to ensure each function has adequate performance measures in place to assist management in determining if it is adequately resourced and equipped.

11. Monitor and discuss performance with staff and hold them accountable with appropriate rewards and consequences.

Succession and Contingency Plans Should be Developed

DCRA does not have a succession plan to ensure that operations continue when there is a personnel change. According to the Green Book, "[a]s part of its human capital planning, management [should] consider how best to retain valuable employees, plan for their eventual departure, and maintain a continuity of needed skills and abilities."[31] Further, we found that DCRA had not developed an onboarding plan to prepare new staff for their respective roles. Onboarding and succession plans are imperative, as we found more than half the current DCRA senior management we interviewed has been in their positions for less than 1 year as of August 31, 2019, and DCRA had not established an onboarding process and formalized succession plans as of August 31, 2019.

We also found that DCRA could implement a contingency plan. The Green Book distinguishes a contingency plan from a succession plan in the following manner: "[s]uccession plans address the entity's need to replace competent personnel over the long term, whereas contingency plans address the entity's need to respond to sudden personnel changes that could compromise the internal control system."[32] In all matters related to human resources and personnel, DCRA management stated that they follow the DPM.

---

[30] *Id.* § 5.02 at 32.
[31] *Id.* § 10.03 at 46-47.
[32] *Id* § 4.06 at 31.

We recommend that the Director of DCRA:

    12. Develop onboarding, succession, and contingency plans to respond to sudden and long-term personnel changes.

RISK ASSESSMENT

Because DCRA has not conducted an agency-wide risk assessment to identify and analyze risks, DCRA may not have mitigated the risk of loss through errors, theft, or noncompliance with District laws and regulations. We discuss potential eight areas of risk.

Agency-wide Risk Assessment Process Could be Improved

The Green Book defines risk, risk management, and risk assessment as follows: "[r]isk [is] [t]he possibility that an event will occur and adversely affect the achievement of objectives;"[33] risk management involves the identification of risks, analysis of risks; and response to risks;[34] and "[r]isk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses."[35] We asked DCRA management if they have comprehensively identified risks, using various methodologies as deemed appropriate, and whether DCRA management has conducted a thorough and complete analysis of the possible effects after first identifying risks to the DCRA programs. DCRA officials said that the District's Office of Risk Management (ORM) is responsible for assessing risks for District agencies that are under the Mayor's purview.

Further, DCRA officials said the agency has adequate mechanisms to identify risk; there is an SOP for risk identification and mitigation; and their Quick Base system tracks audit findings. However, DCRA did not demonstrate that it had adequate mechanism in place to identify risk. For example, we did not see evidence that DCRA considered the risks that could arise as it conducts inspections. DCRA also did not demonstrate that it used Quick Base to document its process for identifying risks. Further, DCRA provided a list of its SOPs, but the list did not include an SOP focused on risk identification and the mitigation process. DCRA officials also said they categorize risk levels (low, medium, high), but did not provide evidence of how they set those risk levels. Therefore, we found that DCRA had not formally conducted a risk assessment to identify risks that would impact its ability to meet its objectives.

We recommend that the Director of DCRA:

    13. Conduct and document an agency-wide risk assessment.

    14. Consider and implement risk assessment results in the development of the agency's strategic plan and internal control design.

    15. Include risk assessment results when revising and developing SOPs.

---

[33] *Id.* at 78.
[34] *Id.* § 7.01 at 37.
[35] *Id.* §§ 7.01-7.02 at 37.

Risk Assessments Process Could Consider Fraud Risk

According to the Green Book, fraud is "obtaining something of value through willful misrepresentation."[36] DCRA could formally identify fraud risks.

The GAO explains the types of fraud that can occur within an entity as:

> Fraudulent financial reporting – Intentional misstatements or omissions of amounts or disclosures in financial statements to deceive financial statement users. This could include intentional alteration of accounting records, misrepresentation of transactions, or intentional misapplication of accounting principles.
>
> Misappropriation of assets – Theft of an entity's assets. This could include theft of property, embezzlement of receipts, or fraudulent payments.
>
> Corruption – Bribery and other illegal acts.[37]

A fraud risk assessment helps DCRA leaders detect control deficiencies and implement or strengthen controls to reduce the risk of the fraud occurring.

We recommend that the Director of DCRA:

16. Include fraud risk as part of DCRA's comprehensive risk assessment.

---

[36] U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 1, § 8.02 n.25 at 40. *See also* Press Release, D.C. Office of the Inspector Gen., Former Department of Consumer and Regulatory Affairs Employee Sentenced for Receiving Bribes (July 20, 2016), https://oig.dc.gov/release/former-department-consumer-and-regulatory-affairs-employee-sentenced-receiving-bribes. For DCRA employees who interact with the public in both collecting fees and assessing fines, there is an implicit risk to both bribery and gratuity.

[37] U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 1, § 8.02 at 40.

Risk Assessments Process Could Consider Other Risks

The remaining six areas where DCRA is at risk of loss through errors, theft, or noncompliance with District laws and regulations are presented in Figure 1 on the following page.

The Green Book states that management should "identify, analyze, and respond to risks related to achieving the defined objectives."[38] To identify risk areas, we:

- Used a questionnaire and interviews to understand DCRA's risk identification process, if any.

- Considered the types of inherent and control risks that can affect DCRA.

- Reviewed deficiencies identified through audits and other assessments conducted by the OIG and the Office of the D.C. Auditor.

In total, we identified six risk areas within DCRA. To analyze these risks, we qualitatively ranked each area in relation to DCRA's mission according to the following criteria:

- Probability of the risk or opportunity materializing. This probability is expressed as a qualitative rating ("low," "medium," or "high"). Risks rated as "high" either have already occurred or are very likely to occur unless stringent internal controls are put in place. Risks rated as "low" have a relatively low likelihood of occurrence.

- Anticipated impact the risk would have on DCRA's ability to meet its objectives if the risk does materialize. The impact is also expressed as a qualitative rating ("high," "moderate," or "low"). A risk rated as "high" is likely to have a significant negative impact on five or more of the following: finances; time; functionality; resources; stakeholders' satisfaction; and agency reputation. Negative impacts may significantly impede DCRA's ability to accomplish program objectives.

- Overall inherent risk exposure. For example, the overall inherent risk exposure is "high" if both the impact and probability are high, or if one of these is high and the other is moderate.

This report addresses risks that are most likely to happen (probability) and could have a significant effect if they occurred, such as not collecting data that DCRA needs to measure the impact of its operations (Figure 1, next page).

---

[38] *Id.* § 7.01 at 37.

Figure 1. Risk Rating

Risk Description	Qualitative Ranking		
	Risk impact	Risk Probability	Risk Exposure
DCRA's strategic objectives may not cover all areas of its mission.	High: 1. stakeholder 2. functionality 3. reputation 4. resource 5. financial	High	**High**
DCRA may not collect data that is needed for the agency to measure the realized impacts.	High: 1. stakeholder 2. functionality 3. reputation 4. resource 5. financial	High	**High**
Loss of stakeholders' confidence in the agency.	High: 1. stakeholder 2. functionality 3. reputation 4. resource 5. financial	Moderate	**High**
Failure to address special needs resulting from the establishment of operations in a new geographical area / neighborhood.	Moderate: 1. stakeholder 2. functionality 4. reputation 5. financial	Moderate	**Moderate**
Disruption from federal government activities, such as government closure and special events.	Moderate: 1. stakeholder 2. functionality 3. reputation 4. financial	Moderate	**Moderate**
Failure to track compliance with laws and regulations.	Moderate: 1. stakeholder 2. functionality 3. reputation 4. financial	Low	**Low**

Source: FMS's analysis of DCRA's responses to risk assessment principles, and related attributes.

We recommend that the Director of DCRA:

17. Include other risks as part of DCRA's comprehensive risk assessment. For those risks that DCRA can control, it must decide whether to accept the risks or mitigate them through enhanced internal controls.

CONCLUSION

DCRA will not have reasonable assurance that it can achieve agency objectives without an effective internal control system in place. To be transparent and accountable, DCRA needs a clearly defined and documented long-term strategic plan. An effective internal control system will also help DCRA to identify, analyze, and address the risk of loss through fraud, errors, theft, or noncompliance with District laws and regulations.

RECOMMENDATIONS

We recommend that the Director, DCRA:

1. Identify and adopt an internal control framework to be used throughout the agency.

2. Establish a process for engaging stakeholders, performing and documenting a strategic planning process to develop a long-term strategic plan.

3. Conduct periodic self-assessment of the organization's strengths, weaknesses, opportunities, and threats.

4. Develop a strategic plan to provide details about DCRA's mission, vision, goals, objectives, and alternative courses.

5. When developing the strategic plan, establish long-term goals that extend beyond the 1-year budget cycle.

6. Develop policies and procedures manual to ensure authorities and responsibilities are clearly established.

7. Develop and distribute policies and SOPs for all DCRA business processes.

8. Using the District of Columbia's Code of Conduct, develop additional ethical guidelines specific to DCRA's mission.

9. Examine current employee workload to establish performance targets that are clear and measurable.

10. Develop procedures to ensure each function has adequate performance measures in place to assist management in determining if it is adequately resourced and equipped.

11. Monitor and discuss performance with staff and hold them accountable with appropriate rewards and consequences.

12. Develop onboarding, succession, and contingency plans to respond to sudden and long-term personnel changes.

13. Conduct and document an agency-wide risk assessment.

14. Consider and implement risk assessment results in the development of the agency's strategic plan and internal control design.

15. Include risk assessment results when revising and developing SOPs.

16. Include fraud risk as part of DCRA's comprehensive risk assessment.

17. Include other risks as part of DCRA's comprehensive risk assessment. For those risks that DCRA can control, it must decide whether to accept the risks or mitigate them through enhanced internal controls.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES AND SCOPE

The objectives of our evaluation are to conduct an agency-wide evaluation of DCRA's internal control environment and to identify areas at risk of loss through errors, theft, or noncompliance with District law and regulations.

Risk exposure may be defined as a measure of possible future loss (or losses) due to action or inaction. We did not cover all areas of risk assessment. Instead, our evaluation looked at the risk of loss through fraud, errors, theft, or noncompliance with District laws and regulations by first conducting risk identification. Risks identification is the first step in the risk management process. The next steps in the risk assessment would be for management to analyze the risk and then respond.

METHODOLOGY

We conducted this evaluation under standards promulgated by the Council of the Inspectors General on Integrity and Efficiency. To prepare questions based on the five control environment principles and related attributes described in the Green Book, we followed guidance from the *Internal Control Management and Evaluation Tool* (Evaluation Tool). Where applicable, we identified gaps for each of the control environment principles and indicated if there was a risk of loss. Where applicable, we also performed a qualitative evaluation of the gaps and identification of risks of loss.

We asked DCRA to identify management officials who would be responsible for addressing questions related to policy, strategic planning, performance management, human resources, risk management/fraud awareness, financial management, the Office of Chief Financial Officer, and the Office of General Counsel. We also reviewed documents provided to support interview responses, public hearings materials, and published reports, such as current OIG reports. We evaluated DCRA's responses and the results of our review to determine a rating for each principle based on DCRA's design, implementation, and operating effectiveness.

We also performed a walk-though of DCRA's employee online training application and Project Governance, which is a Quick Base application DCRA uses to manage programs.

APPENDIX B. WHAT IS THE GREEN BOOK AND HOW IS IT USED?

APPENDIX C. ACRONYMS AND ABBREVIATIONS

DCHR   Department of Human Resources

DCRA   Department of Consumer and Regulatory Affairs

GAO   Government Accountability Office

NOI   Notice of Infraction

OCFO   Office of the Chief Financial Officer

OIG   Office of the Inspector General

ORM   Office of Risk Management

APPENDIX D: DCRA'S PERFORMANCE DASHBOARD

Figure 2: A Comparison of Missed Inspections vs. Missed Business License Processing

Scheduled Inspections

	2017	2018	2019
Q1	81.97%	83.00%	82.92%
Q2	85.18%	81.50%	88.02%
Q3	82.90%	83.42%	94.42%
Q4	81.34%	84.56%	90.96%

Construction inspections are scheduled by request of the permit applicant. This metric examines the percentage of construction inspections completed on the scheduled date.

Target: 90%

Infractions Processed

	2017	2018	2019
Q1	4.58%	13.74%	31.25%
Q2	11.52%	14.41%	68.13%
Q3	12.20%	12.53%	91.38%
Q4	73.87%	21.24%	87.32%

A Notice of Infraction (NOI) includes a civil fine when repairs are not corrected. This metric examines the percentage of NOIs processed within 30 calendar days of receipt.

Target = 85%
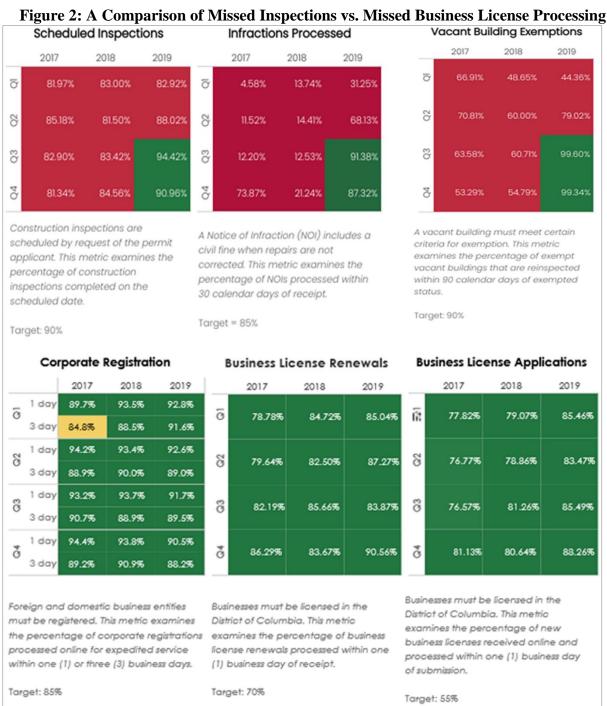
Vacant Building Exemptions

	2017	2018	2019
Q1	66.91%	48.65%	44.36%
Q2	70.81%	60.00%	79.02%
Q3	63.58%	60.71%	99.60%
Q4	53.29%	54.79%	99.34%

A vacant building must meet certain criteria for exemption. This metric examines the percentage of exempt vacant buildings that are reinspected within 90 calendar days of exempted status.

Target: 90%

Corporate Registration

		2017	2018	2019
Q1	1 day	89.7%	93.5%	92.8%
	3 day	84.8%	88.5%	91.6%
Q2	1 day	94.2%	93.4%	92.6%
	3 day	88.9%	90.0%	89.0%
Q3	1 day	93.2%	93.7%	91.7%
	3 day	90.7%	88.9%	89.5%
Q4	1 day	94.4%	93.8%	90.5%
	3 day	89.2%	90.9%	88.2%

Foreign and domestic business entities must be registered. This metric examines the percentage of corporate registrations processed online for expedited service within one (1) or three (3) business days.

Target: 85%

Business License Renewals

	2017	2018	2019
Q1	78.78%	84.72%	85.04%
Q2	79.64%	82.50%	87.27%
Q3	82.19%	85.66%	83.87%
Q4	86.29%	83.67%	90.56%

Businesses must be licensed in the District of Columbia. This metric examines the percentage of business license renewals processed within one (1) business day of receipt.

Target: 70%

Business License Applications

	2017	2018	2019
Q1	77.82%	79.07%	85.46%
Q2	76.77%	78.86%	83.47%
Q3	76.57%	81.26%	85.49%
Q4	81.13%	80.64%	88.26%

Businesses must be licensed in the District of Columbia. This metric examines the percentage of new business licenses received online and processed within one (1) business day of submission.

Target: 55%

Source: DCRA's Dashboard: Snapshot from September 24, 2019.

APPENDIX E: DCRA'S RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Consumer and Regulatory Affairs

WE ARE
WASHINGTON
DC

MEMORANDUM

DATE: December 6, 2019

TO: Daniel W. Lucas
                District of Columbia Inspector General

FROM: Ernest Chrappah   *Ernest Chrappah*
                Director, Department of Consumer and Regulatory Affairs

SUBJECT: DCRA's Response to Draft Report *Department of Consumer and Regulatory Affairs Evaluation of the Internal Control Environment as of August 31, 2019* (OIG Project No. 19-I-28CR)

The Office of Inspector General (OIG) emailed its draft report, "Department of Consumer and Regulatory Affairs Evaluation of the Internal Control Environment as of August 31, 2019," to the Department of Consumer and Regulatory Affairs (DCRA) on December 3, 2019.

DCRA appreciates the work of the Inspector General and FMS and – despite having only three days to respond to this evaluation - assures the IG and any recipients of this review that the agency is committed to the highest standards of control and ethics.

In general, the report takes a quite critical tone, without acknowledging the documentation provided to FMS and flaws in the process. The report also does not address the progress that is being made in turning around the agency performance, the accountability measures being imposed or reflect an understanding of administration-wide policies and procedures that provide many of the safeguards and accountability that the report finds lacking.

For instance, the report basically says that the agency has no strategic plan or vision extending beyond a year, when Vision 2020 is a two-year strategic plan, and not bothering to thoroughly assess what has been submitted to the City Administrator's Office, and how the Office of Budget and Performance Management assesses progress against larger goals. It makes no mention of the structure of accountability from the Director, through the Deputy Mayor and the City Administrator, nor does it discuss any other city-wide accountability structures that apply to DCRA - such as budget meetings with the City Administrator and the Mayor where agency proposals are matched against the agency's own vision and the larger vision for Washington, DC. In addition, the budget meetings also include discussion of the agency's performance as it compares to target performance measures, why targets were not met, and what additional resources may be needed to improve or increase performance. Further, the City Administrator hosts meetings with agencies to maintain an awareness of agency

Department of Consumer and Regulatory Affairs | 1100 4th Street, SW, | Washington, DC 20024
★ ★ ★

APPENDIX E: DCRA'S RESPONSE TO THE DRAFT REPORT

performance and to track progress on strategic initiatives the agency identifies in their annual performance plan. Nor does it mention the accountability structures imposed by Council – such as oversight hearings, budget hearings, and the numerous reports required. It notes that DCRA said that the Office of Risk Management (ORM) is charged with assessing risks, but then apparently did not consult with ORM about how it has worked with DCRA in recent years to assess potential risks, establish a control environment, and mitigate risks. DCRA's Risk Management Officer works closely with ORM to ensure compliance with District guidelines and reporting requirements. FMS faults the agency for a lack of strategic vision, while mentioning Vision 2020, but not discussing why, even if some of the goals are tactical for the upcoming year, they do not fit within a larger vision.

The report slams the agency for failing to meet its own goals for ten consecutive quarters ending on March 31, 2019, but does not give any credit to the fact that a whole new management team is in place providing accountability. That new team – while not completely built-out – has very quickly adopted Standard Operating Procedures (SOPs), launched new and innovative programs to help it accomplish its mission, promulgated a vision document, and exceeded its performance goals for the two consecutive quarters of FY19. Instead, DCRA seems to be held accountable for FMS' criticisms of past management practices. Because a largely new team is in place, the report also gives short shrift to the progress made under the former Director and her team, as there is no benchmarking as to how the agency was doing in 2014 or before.

In sum, the audit acknowledges that FMS assessed DCRA based on federal Green Book practices, which is not the exact template for establishing internal controls and monitoring progress against objectives. It quickly refers to the Green Book as embodying "best practices" without showing why practices developed for the District of Columbia government and applied at DCRA fall short of the Green Book, rather than simply differing from it.

The audit also fails to squarely address one matter that we understood to be part of the purpose: assessing whether the agency should be broken into two. See Engagement Letter Attached. Since no particular objectives for such a proposal have been articulated, it should be stated that it's impossible to determine whether the goals of such a division would be met. In short, the proposal is a solution in search of a problem, and the consultants did not bring any general understandings to bear on how much time would be lost, functioning systems would be impaired and program goals compromised if a breakup occurs, not to mention the creation of leadership vacuums and management redundancies. But it bears underscoring that while the report was critical in tone, with numerous recommendations, it did not recommend dividing up the agency into two agencies.

The draft report presented 17 recommendations and requested the agency's response to those recommendations. DCRA's responses to the recommendations and its general comments on the draft report are contained below. We are pleased to report that most of the recommendations outlined in the report are either completed, in-progress or already planned.

> **OIG Finding:** DCRA could identify and adopt an internal control framework to set internal control standards (Principle: Exercise Oversight Responsibility; Attribute: Oversight for the Internal Control System).
>
> **OIG Recommendation #1:** Identify and adopt an internal control framework to be used throughout the agency.

Department of Consumer and Regulatory Affairs | 1100 4th Street, SW | Washington, DC 20024
★ ★ ★

APPENDIX E: DCRA'S RESPONSE TO THE DRAFT REPORT

Agency Response: DCRA agrees with this recommendation. A new internal control framework has been developed by a contractor who was retained for this purpose before the FMS team arrived. The Internal Audit Policies and Procedures document developed by the contractor, states that the Internal Audit Program is consistent with standards set by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The process of developing a framework is not an acknowledgment that there were no controls or framework previously but rather was in recognition that we can, and should, do more. This framework establishes a blueprint that is currently being utilized by DCRA's internal audit staff to design, implement, and coordinate the activities in the five areas of internal control: risk assessment, control environment, control activities, monitoring, and information and communication. This framework is currently being distributed and briefed throughout the agency.

In addition, as part of the Mayor's commitment to transparency, more and more DCRA documents and databases are on-line. This transparency serves as a key element of the control framework, by allowing the public to determine, for instance, whether permits have been pulled for a construction project going on at a neighbor's house. Further, in five languages, DCRA provides information to the public about how to report housing violations. https://eservices.dcra.dc.gov/DocumentManagementSystem?title=Inspections.

OIG Finding: Strategic Planning Process Could Be Improved.

OIG Recommendation #2: Establish a process for engaging stakeholders, performing and documenting a strategic planning process to develop a long-term strategic plan.

Agency Response: DCRA is reviewing this recommendation.   Indeed, although I am in my first year at the helm of DCRA, we already have a current, fresh Vision 2020 blueprint guiding the agency's goals related to budget, regulatory reform, communications, people, processes and technology. Whenever an agency's director changes, it is an opportunity to assess the agency's performance and reputation. Moving forward, we will replicate the stakeholder engagement process (listening sessions, formation of work groups, feedback loop, etc.) used to establish the Vision 2020 two-year plan.

It should be noted, however, that "stakeholder" input is important and always considered, in the context of legislative and regulatory proposals; the agency's budget; community meetings; day-to-day handling of constituent matters; and issues brought to the agency's attention from the neighborhood representatives at the Mayor's Office on Community Affairs and ANC meetings.

The main goals for DCRA, however, are established both through substantive legislation enacted by Council, budgets proposed by the Mayor and refined and enacted by Council, and by Mayoral priorities. The agency is administered for the benefit of the entire public and sometimes "stakeholders" express disappointment and frustration with regulatory requirements established by law and enforced by DCRA. Stakeholders can provide valuable strategic input, but they do not have ultimate control over any strategic plan.

OIG Recommendation #3: Conduct periodic self-assessment of the organization's strengths, weaknesses, opportunities, and threats.

Department of Consumer and Regulatory Affairs | 1100 4th Street, SW | Washington, DC 20024
★ ★ ★

APPENDIX E: DCRA'S RESPONSE TO THE DRAFT REPORT

Agency Response: DCRA agrees with this recommendation. DCRA leadership meets regularly to assess our strengths, weaknesses, opportunities and/or threats, specifically as they relate to our strategic plan. Again, we note that the FMS team was unaware of how such strategic thinking underpins the internal budget and accountability processes within the Executive Branch. Further, by creating dashboards, DCRA has been able to see where its productivity is improving, or not, and to discern trends for resources. For instance, the dashboard for building permits shows a 19% increase from FY 2019 from FY 2014. Please see "Building Permits Issued tab" at:
https://eservices.dcra.dc.gov/DCRAAgencyDashboard/index. Now, solar permits are being issued at a rate of approximately 200 a month, with over 300 issued in August, whereas in FY 2015, only five were issued during the entire year. Other dashboards demonstrate where, geographically, the problems are that DCRA or sister agencies need to address; as an example, the inspections showing housing code violations fall most heavily in Wards 7 and 8. Dashboards show clearly what violations lead to the most and fewest infractions, and the ratio of infractions assessed to dollars collected. All this data undergirds ongoing and focused self-assessments.

OIG Recommendation #4: Develop a strategic plan to provide details about DCRA's mission, vision, goals, objectives, and alternative courses.

Agency Response: DCRA is reviewing this recommendation. Although we have a Vision 2020 blueprint guiding the agency's transformation within two years, the long-term pillars of the strategic plan related to budget, regulatory reform, communications, people, processes and technology, are consistent with the Mayor's vision, mission, goals and objectives for our agency.

OIG Finding: Strategic Planning Process Could Set Long-Term Organizational Objectives.

OIG Recommendation #5: When developing the strategic plan, establish long-term goals that extend beyond the 1-year budget cycle.

Agency Response: DCRA is reviewing this recommendation. D.C. operating budgets are on a one-year cycle and capital budgets are on multi-year cycles. That said, all strategic plans involving out-years are subject to change. District law, through the Anti-deficiency Act, prohibits financial commitments in advance of appropriations. DCRA does not operate in a vacuum and its priorities must align with the rest of the Executive Branch. For example, the Mayor's goal for 36,000 houses by 2025 will affect goals at DCRA as we will work to permit and inspect new units. The new Comprehensive Plan will have goals bearing on DCRA's work. Interagency projects like Vacant to Vibrant also bear on DCRA's work, as DCRA can be both a programmatic leader as well as a service organization where other agencies have lead responsibilities.

Department of Consumer and Regulatory Affairs | 1100 4th Street, SW | Washington, DC 20024

★ ★ ★

APPENDIX E: DCRA'S RESPONSE TO THE DRAFT REPORT

OIG Finding: Employees' Authorities and Responsibilities Have Not Been Clearly Established.

OIG Recommendation #6: Develop policies and procedures manual to ensure authorities and responsibilities are clearly established.

Agency Response: DCRA is reviewing this recommendation. To date, thirty-four SOPs have been issued and forty-six are in progress to be reviewed and updated as part of the yearly review process. We review these SOPs on a yearly basis to ensure they are up-to-date. As DCRA continues to make operational improvements, the agency will issue new SOPs to reflect process changes. Therefore, the total number of SOPs changes based on operational needs. Once an SOP is approved, it is uploaded to our intranet.

OIG Recommendation #7: Develop and distribute policies and SOPs for all DCRA business processes.

Agency Response: DCRA agrees with this recommendation. Although we have many Standard Operation Procedures (SOPs) for most of our processes, the relatively new management team is currently reviewing and strengthening these SOPs to clearly outline agency business processes. Agency personnel are being kept updated and trained on these updated SOPs, which are also posted on our Intranet. DCRA has also implemented an online learning platform for employee training and has included SOP trainings as well. Additionally, we review these SOPs on a yearly basis to ensure they are up-to-date.

OIG Finding: Commitment to Integrity and Ethical Values Could be Strengthened.

OIG Recommendation #8: Using the District of Columbia's Code of Conduct, develop additional ethical guidelines specific to DCRA's mission.

Agency Response: DCRA disagrees with this recommendation. The Council of the District of Columbia enacted certain standards of conduct (See, for instance, D.C. Official Code §1-618.01) and authorized a Code of Conduct applicable government-wide, building upon some federal ethics laws and rules applicable to District employees. Further, through the Government Ethics Act of 2011, introduced by then-Councilmember Muriel Bowser, the Council established the Board of Ethics and Government Accountability (BEGA). BEGA is responsible for education, advice, and enforcement of the District's Code of Conduct, and the Department of Human Resources (DCHR) promulgates rules applicable to District government employees across the board, based on Council-enacted laws. See 6B DCMR Title 18. In addition, DCRA has an ethics officer, and all employees are required to attend both introductory and refresher ethics classes. DCRA employees, like other government employees, are subject to the District-wide yearly public and confidential filer rules, designed to surface possible conflicts of interest. Specifically, inspectors are required to fill out confidential filer forms, which are reviewed yearly by the agency head. Each such form is a reminder of conflicts that can ensue when interests as substantial as inspections are taking place.

Department of Consumer and Regulatory Affairs | 1100 4th Street, SW | Washington, DC 20024

★ ★ ★

APPENDIX E: DCRA'S RESPONSE TO THE DRAFT REPORT

DCRA can and will accept the spirit of the suggestion by asking BEGA for some agency-specific ethics trainings, but the general principles and rules relating to no favoritism, prohibited sources, gifts, conflicts of interest and outside employment are applicable to the work of DCRA without the need for a further Code of Conduct. The report suggests a solution here in search of a problem as it provides no evidence that employees have failed in the obligation found at the District Personnel Manual §1800.3(k) and D.C. Official Code §1-618.01(a-1) to report credible violations of the Code of Conduct to the appropriate officials.

Further, the agency understands that the tone at the top matters. The Mayor has conveyed to all directors that they are to report problems and address them, not to hide them under the rug, and all directors are keenly aware that negative consequences are most likely to befall those managers where problems occurred on their watch that were not detected, reported, and remedied.

With respect to one new program, we do agree regarding the provision of agency specific advice and have conveyed agency-specific ethics requirements. The agency has mobilized persons who are not full time District employees to assist with certain inspections. Each of these persons are to sign an attestation in which they acknowledge and agree to abide by an ethical code of conduct, a copy of which is attached.

OIG Finding: Performance Target Accountability Could be Improved.

OIG Recommendation #9: Examine current employee workload to establish performance targets that are clear and measurable.

Agency Response: DCRA agrees with this recommendation, but again notes that this undertaking is not a new endeavor resulting from FMS' audit. Agency-wide total targets have been created in the various DCRA areas (i.e., inspections, licenses issues, permits issued, etc.). DCRA management at the top is working to confirm or, if necessary, ensure the creation of specific employee workload targets which will become a part of each employee's individual performance plan. We recognize that how managers achieve targets for their sections has been largely discretionary and we want to ensure these workload targets are fair, equitable, and SMART (i.e., Specific, Measurable, Actionable, Realistic, and Timely), without disempowering those managers closest to the workloads of their employees.

OIG Recommendation #10: Develop procedures to ensure each function has adequate performance measures in place to assist management in determining if it is adequately resourced and equipped.

Agency Response: DCRA agrees with this recommendation. As indicated in the OIG report, DCRA develops an annual performance plan which includes key performance indicators and strategic objectives to assist in the performance management process. Please reference DCRA's FY2020 agency performance plan at: https://oca.dc.gov/sites/default/files/dc/sites/oca/publication/attachments/DCRA20.pdf.

Department of Consumer and Regulatory Affairs | 1100 4th Street, SW | Washington, DC 20024

★ ★ ★

APPENDIX E: DCRA'S RESPONSE TO THE DRAFT REPORT

DCRA will continue to use this plan to advocate for ensuring the agency is adequately resourced and equipped.

OIG Recommendation #11: Monitor and discuss performance with staff and hold them accountable with appropriate rewards and consequences.

Agency Response: DCRA agrees with this recommendation. As indicated in the OIG report, DCRA develops an annual performance plan which includes key performance indicators and strategic objectives to assist in the performance management process. DCRA will continue to use this plan during the annual employee performance management process to hold employees accountable in terms of performance ratings (which also allow for rewarding or disciplining employees) consistent with the District Personnel Manual and Collective Bargaining Agreements.

OIG Finding: Succession and Contingency Plans Should be Developed.

OIG Recommendation #12: Develop onboarding, succession, and contingency plans to respond to sudden and long-term personnel changes.

Agency Response: DCRA agrees with this recommendation. We are committed to developing the necessary onboarding, succession and contingency plans to adequately respond to personnel changes.

OIG Finding: Agency-wide Risk Assessment Process Could be Improved.

OIG Recommendation #13: Conduct and document an agency-wide risk assessment.

Agency Response: DCRA agrees with this recommendation. The internal control framework, which has been developed, does include a component to assess agency-wide risk.

OIG Recommendation #14: Consider and implement risk assessment results in the development of the agency's strategic plan and internal control design.

Agency Response: DCRA agrees with this recommendation. The risk assessment results, which are currently being developed by internal audit staff utilizing our internal control framework, will be integrated into the agency's strategic plan when it is developed.

OIG Recommendation #15: Include risk assessment results when revising and developing SOPs.

Agency Response: DCRA agrees with this recommendation. The internal audit staff, who are currently conducting and documenting our agency-wide risk assessment utilizing our internal control framework, have been integrated into the agency's process to revise and develop SOPs.

Department of Consumer and Regulatory Affairs | 1100 4th Street, SW | Washington, DC 20024

★ ★ ★

APPENDIX E: DCRA'S RESPONSE TO THE DRAFT REPORT

OIG Finding: Risk Assessments Process Could Consider Fraud Risk.

OIG Recommendation #16: Include fraud risk as part of DCRA's comprehensive risk assessment.

Agency Response: DCRA agrees with this recommendation. When risk assessments are conducted, fraud risk will be included. This is especially applicable to all components of DCRA in which there is the potential for employees to issue licenses, permits, pass inspections, etc., based on bribes versus proper documentation.

OIG Finding: Risk Assessments Process Could Consider Other Risks.

OIG Recommendation #17: Include other risks as part of DCRA's comprehensive risk assessment. For those risks that DCRA can control, it must decide whether to accept the risks or mitigate them through enhanced internal controls.

Agency Response: DCRA agrees with this recommendation. When risk assessments are conducted, other risks, such as mismanagement, lack of training, etc., will be included.

The foregoing demonstrates that DCRA is an agency on the move under new, dynamic leadership. DCRA has made progress on the various topics FMS identified even in the months since the audit, and is poised to build on the rich data assembled and available to make strategic plans for the next stages of its development. DCRA leadership, working with the Office of Risk Management, the Deputy Mayor for Operations and Infrastructure, and the City Administrator's Office, will both set the tone for efficient, effective, ethical and responsive government, and ensure that those values are carried out throughout the agency. The opportunity to provide input to this draft report is appreciated. I can be reached at 202-▮▮▮▮▮ or ernest.chrappah@dc.gov should there be any questions or additional information required from DCRA.

cc:

Rashad Young, City Administrator
Lucinda Babers, Deputy Mayor for Operations and Infrastructure
▮▮▮▮▮▮, General Counsel, Mayor Muriel Bowser
Jennifer Reed, Director, Office of Budget and Performance Management
Jed Ross, Director, Office of Risk Management

Department of Consumer and Regulatory Affairs | 1100 4th Street, SW | Washington, DC 20024

★ ★ ★