

**TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL
BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE OF THE WHOLE**

**PUBLIC OVERSIGHT ROUNDTABLE ON
BUDGET EXECUTION AND AGENCY OVERSPENDING
October 17, 2025**

Good morning, Chairman Mendelson and Members of the Committee of the Whole. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am pleased to appear before the Committee's Roundtable Hearing to discuss the OIG's oversight and its impact on ensuring District expenditures align with the appropriated budget.

My testimony will highlight key statutorily required internal controls governing the District's budget development and execution processes, outline my Office's oversight responsibilities, and review relevant past OIG work that aligns with today's Roundtable.

The Concept of Internal Control

As background, the concept of internal control is best described by the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, commonly called the "Green Book."¹ Internal control is a statutory requirement in the District.²

The District benefits from incorporating GAO Green Book guidance, which provides a comprehensive framework for effective internal controls. The Green Book outlines five

¹ Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-25-107721 (Washington, DC: GAO, 2025) <https://www.gao.gov/assets/gao-25-107721.pdf> [hereinafter GAO Green Book].

² See D.C. Code §§ 1-204.49(4) and 1-204.24d(7).

integrated components—Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring—supported by 17 principles. The five components of internal control must be effectively designed, implemented, and operated together in an integrated manner for an internal control system to be effective.³ An effective internal control system ensures the District maintains effective and efficient operations, produces reliable reporting for internal and external use, and complies with applicable laws and regulations.⁴

For District budget execution, key internal controls include:

- Control Environment: Establishing integrity, ethical values, and accountability, such as holding agency heads responsible for budget adherence (Principles 1–5).
- Risk Assessment: Identifying risks like revenue shortfalls or spending pressures, including fraud potential, and defining tolerances (Principles 6–9).
- Control Activities: Designing policies for approvals, segregation of duties, and automated checks in financial systems to prevent unauthorized spending (Principles 10–12).
- Information and Communication: Ensuring timely, quality data sharing internally (e.g., with the Office of the Chief Financial Officer (OCFO), the Executive, and the Council) and externally (e.g., Congress and members of the public) (Principles 13–15).
- Monitoring: Ongoing evaluations and prompt remediation of deficiencies, such as agency internal compliance and oversight, and oversight provided through OIG and Office of the District of Columbia Auditor engagements (Principles 16–17).

³ *Supra* FN 1 at § OV2.04.

⁴ *Id* at § OV2.24.

Because internal control is part of management's overall responsibility, I'd like to discuss components of the District's budget and financial management statutes as they apply to District agencies.

Budget Execution within the District

At the highest level, D.C. Code creates the control environment for the District's budget development and execution. These controls are designed to prevent overspending, ensure fiscal discipline, and facilitate oversight.⁵

The OCFO is statutorily responsible for overseeing the District's financial management to ensure adequate control over District agencies' revenues and resources during the fiscal year.⁶ District agencies receive their spending authority through the appropriation process.⁷ Agency budgets are performance-based, comprised of estimated program and activity costs and corresponding expected outputs and results.⁸

At the start of the FY, agencies, in coordination with their Agency Fiscal Officer (AFO), submit a monthly spending plan and Schedule A based on their fully-enacted budget to the OCFO.⁹ Using this plan, the OCFO develops the quarterly apportionment of the agency's funds based on the spending plan. These spending plans are binding unless modified by the OCFO.¹⁰

⁵ D.C. Code §§ 47-355.01 through 47-355.08.

⁶ D.C. Code § 1-204.24d(6).

⁷ D.C. Code § 1-204.46.

⁸ D.C. Code § 47-308.01.

⁹ D.C. Code § 47-355.04.

¹⁰ D.C. Code § 47-355.05(b).

District managers submit quarterly spending projections during the FY to their agency head and AFO.¹¹ These projections are then summarized and forwarded to the OCFO no more than 30 days after the end of each quarter.¹² In turn, quarterly financial status reports issued by the OCFO provide valuable insight into each agency's actual operating expenditures, obligations, and commitments.¹³

Throughout the FY, circumstances can change, and the enacted budget may be revised. Changes can occur through reprogramming,¹⁴ use of reserve funds,¹⁵ or a supplemental or deficiency budget.¹⁶ These changes are integral to ensure agencies do not exceed their appropriated budget.

The federal and the District Anti-Deficiency Act (ADA)¹⁷ prohibit specific actions that could lead to excessive expenditures. To prevent this, the District's ADA prohibits District employees from:

- Making or authorizing an expenditure or obligation exceeding an amount available in an appropriation for an agency or fund;
- Allowing an expenditure or obligation to exceed apportioned amounts;
- Deferring recording a transaction incurred in the current fiscal year to a future fiscal year;
- Submitting a required plan or projection in an untimely manner;

¹¹ D.C. Code § 47-355.03.

¹² *Id.*

¹³ D.C. Code § 47.355.05(a).

¹⁴ D.C. Code § 47-361(14).

¹⁵ D.C. Code § 1-204.50a.

¹⁶ D.C. Code § 1-204.42(c).

¹⁷ D.C. Code § 47-355.02.

- Knowingly reporting incorrectly on spending to date or on projected total annual spending; and
- Failing to adhere to a spending plan through overspending that is greater than 5 percent of the agency's budget, or \$1 million.¹⁸

Should there be indicia of a District ADA violation, the Board of Review for Anti-Deficiency Violations (BRAD-V) determines culpability and recommends appropriate action.¹⁹

Notwithstanding BRAD-V's role, I'd like to discuss how the OIG's oversight also plays an integral role in ensuring District expenditures are within budget.

OIG's Role in Oversight of the District Agency Budget Execution

The OIG conducts independent audits, inspections, evaluations, and investigations of District programs and operations. These engagements promote economy, efficiency, and effectiveness, as well as detect and prevent corruption, waste, fraud, abuse, and mismanagement. Through our oversight work, we routinely identify weaknesses and make recommendations to improve the design, implementation, and application of controls within the District's internal control system.

The OIG's audit of the District's Annual Comprehensive Financial Plan (ACFR) is a critical oversight tool for safeguarding the District's finances. The ACFR audit ensures the accuracy of the District's financials and identifies deficiencies in internal controls over financial reporting. The OIG's independent auditors are conducting the FY 2025 ACFR that will be delivered to the Council by the February 1st statutory deadline.

¹⁸ *Id.*

¹⁹ D.C. Code 47-355.07.

Given that we are still months away from the FY 2025 ACFR audit results, I would like to touch on recent OIG reports relevant to today's hearing. To determine specific OIG reports to highlight, my team analyzed the OCFO's June 2025 Financial Status Report (FSR).²⁰

First, we reviewed the FSR, and found agencies have incurred overtime expenditures totaling over \$196 million in local funds through June 2025.²¹ Related, in November 2023, the OIG issued the *Audit of the District of Columbia Agencies' Overtime Usage*. Our report identified that during the audit period, District agencies underestimated their overtime needs, did not adhere to District policies requiring prior authorizations, and did not submit reprogramming requests for additional overtime budget authority. Agencies identified in the June FSR with overtime expenditures may find OIG's report useful for improving overtime management and controlling unnecessary spending.

Next, we looked at the local fund available balance across all District agencies with negative available balances. Our analysis found several comptroller source group (CSG) categories with a negative available balance across multiple agencies. As of June 2025, with only three months remaining in the FY, negative available balances indicated a high risk of exceeding apportioned amounts unless corrective actions were implemented. Because these negative balances in the same CSG occurred in multiple agencies, broader systemic issues may be indicated.

²⁰ Office of the Chief Financial Officer, Financial Status Report (Operating Expenditures) As of June 30, 2025. Aug. 4, 2025. <https://app.box.com/shared/static/m9a6hcgssdnkq16ir9veax52h0fayrnz.pdf> (last visited Oct. 9, 2025).

²¹ *Id.* at Section (H) Overtime Summaries, pp. 141-143.

Understanding our analysis, I will highlight recent OIG coverage related to these particular CSG categories exhibiting negative available balances. Agencies can benefit from the OIG’s insights and recommendations even if they were not the subject of the particular engagement.

The June FSR reflected multiple agencies with negative available balances in the P-Card Clearing Account. Related, our [*FY 2024 Management Recommendations Report*](#), issued in conjunction with our ACFR audit, found that P-Card “transactions were not posted to the approved general ledger accounts and not reviewed and approved by the designated approving officials in a timely manner.”²² This occurred because “P-Card holders did not submit the expense reports in DIFS, and the approving officials did not review and approve the P-Card transactions in a timely manner.”²³ As seen in the June 2025 FSR, failure to submit timely expenditure reports and approve the expense reports may result in understatement of some expenditure accounts and overstatement of the clearing expenditure account in the financial statements.

We also found several instances of negative available balances across multiple agencies within other nonpersonnel service (NPS) categories – particularly contracts and grants. We have a considerable body of work related to the effectiveness of controls over both contract and grant award and administration.

²² Office of the Inspector General, District of Columbia Management Recommendations Fiscal Year 2024 (OIG No. 24-07MA(a), p. 3.

²³ *Id.*

Most recently, our *Agencies' Contract Administration Effectiveness* audit found instances where invoices were processed for payment without validating receipt and delivery of goods and services. Without effective controls over inspection and acceptance, the District risks paying for goods and services that are defective or non-compliant or fraudulent, leading to excessive expenditures and suboptimal contractor delivery and performance.

Regarding District grants, we have continued to see evidence of District funds being disbursed without grant recipients complying with the grant award terms and conditions. To quickly apprise the Executive of these heightened risks, we issued a *Management Implication Report (MIR)* on April 11, 2025. This MIR identified control deficiencies in verifying eligibility requirements and monitoring performance milestones. I am pleased to see that the Executive has since updated its *District Grants Manual*, which addresses the MIR's identified control deficiencies. Since the MIR, we have deployed specific grant-related training to several agencies in partnership with the Executive during this FY. We also have several engagements underway at specific agencies related to grant awards and administration, and will make the results available to the Council and the public once completed.

Conclusion

In conclusion, Chairman Mendelson and members of the Committee of the Whole, the OIG plays an integral role in reviewing and recommending improvements related to the District's budget and financial management practices. However, it is important to note that the effectiveness of the internal control system over the District's finances ultimately rests with District management. As I have mentioned in previous testimonies, the OIG offers its Internal Control Assessment

Program (ICAP) to District agencies as a collaborative tool to assist in the design, implementation, and operation of their respective internal control systems. While our capacity is limited, we have and will continue to evaluate the effectiveness of the District's internal control environment to ensure controls are designed, implemented, and operating effectively.

This concludes my testimony, and I welcome your questions.