

**TESTIMONY**  
**OF**  
**LAWRENCE PERRY**  
**DISTRICT OF COLUMBIA DEPUTY AUDITOR**  
**COMMITTEE ON BUSINESS, CONSUMER AND REGULATORY AFFAIRS**  
**COUNCIL OF THE DISTRICT OF COLUMBIA**  
**DECEMBER 20, 2013**

**CHAIRMAN ORANGE AND MEMBERS OF THE COMMITTEE ON BUSINESS, CONSUMER AND REGULATORY AFFAIRS:** I am Lawrence Perry, District of Columbia Deputy Auditor. Thank you for the opportunity to appear before the Committee to discuss required SBE expenditures of District agencies.

As you know, our most recent report, issued on September 26, 2013, detailed District of Columbia agencies' compliance with Small Business Enterprise expenditure goals through the 3<sup>rd</sup> quarter of Fiscal Year 2013. The purpose of the report was to determine whether District agencies were on target to meet the required goal of procuring 50% of their expendable budgets with Small Business Enterprises in fiscal year 2013 and evaluate District agencies' compliance with SBE goal establishment and expenditure reporting requirements. In short, we found that out of 80 agencies, 12 agencies met the annual goal of procuring at least 50% of their goods and services from SBEs as of June 30, 2013. The 80 agencies, as a whole, spent \$93 million with SBEs through the 3<sup>rd</sup> quarter of FY 2013. Ninety-three million dollars represents 15% of the total FY 2013 SBE expenditure goal, which was \$614 million at the time the report was published.

Year-end SBE expenditure totals for FY 2013 cannot be accurately assessed until the Office of the Chief Financial Officer publishes the Comprehensive Annual Financial Report in early 2014. As a result, at this time we are able to present only rough speculation as to which District agencies will meet their SBE goals for FY 2013 and which agencies will not meet their goals.

Despite the limitations in our ability to assess total spending, we believe that approximately 38 agencies will meet their FY 2013 SBE expenditure goals and approximately 42 agencies will not meet their FY 2013 SBE expenditure goals.<sup>1</sup> We believe that SBE expenditures will total approximately \$170 million for FY 2013, roughly 31% of the total current SBE expenditure goal of \$553 million. As we noted earlier, at the end of the 3<sup>rd</sup> quarter of FY 2013, the SBE expenditure goal was \$614 million. Since August 8, 2013, DSLBD reduced the SBE expenditure goal from \$614 million to \$553 million, a 10% reduction.

When we examine the trends in District agency expenditures with SBEs over the past three fiscal years, we are encouraged by a steady increase in spending; however, the expenditures as a percentage of the goal have generally decreased.

- In FY 2010, District agencies spent \$104 million with SBEs. The total expenditures represented 38% of the goal of \$276 million.
- In FY 2011, District agencies spent \$107 million with SBEs, which is a 4% increase over FY 2010. The total expenditures represented 45% of the goal of \$241 million.
- In FY 2012, agencies spent \$133 million, which is a 24% increase over FY 2011. The total expenditures represented 20% of the goal of \$661 million.

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<sup>1</sup> These calculations include the Housing Finance Agency. DSLBD stopped monitoring HFA in October 2013. HFA's FY 2013 SBE expenditure goal was \$4,367,500.

- In FY 2013, our rough estimates indicate that the total will increase yet again, to \$170 million, which is a 28% increase over FY 2012. The total expenditures represented 31% of the goal of \$553 million.

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Given the significant economic benefits to the District resulting from compliance with SBE expenditure goals, we urge DSLBD to continue to improve the oversight of SBE participation in agency procurements. We commend DSLBD for implementing several longstanding recommendations from our prior reports, specifically with regards to providing training to agency liaisons that are responsible for monitoring and reporting agency CBE expenditures. We will continue to monitor the program to ensure that DSLBD's efforts facilitate meeting the goals of the Act.

Mr. Chairman, this concludes my prepared remarks. I will respond to any questions.