



Deborah K. Nichols  
District of Columbia Auditor  
008:05:LS

## **OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR**

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### **Letter Report: Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Economic Development (EC)**

**February 25, 2005**



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February 25, 2005

Honorable Sharon Ambrose  
Chairperson  
Committee on Economic Development  
Council of the District of Columbia  
The John A. Wilson Building  
1350 Pennsylvania Avenue, NW, Suite 119  
Washington, DC 20004

**Letter Report:        Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Economic Development (EC)**

Dear Councilmember Ambrose:

Attached for your review is a summary of the implementation status of District of Columbia Auditor recommendations pertaining to audits of agencies under the purview of the Committee on Economic Development. This report reflects the implementation status of recommendations contained in two audits of the District of Columbia Sports and Entertainment Commission. Additional efforts will be undertaken by my office to verify the accuracy and validity of the information reported by this agency.

Submitted with this letter report is a matrix for each audit. Each matrix sets forth the findings, recommendations, and the agency's status of implementing each recommendation. This report covers the following audits under your Committee's purview that were issued by the District of Columbia Auditor during fiscal years 2002 through 2004:

**FY 2004:**

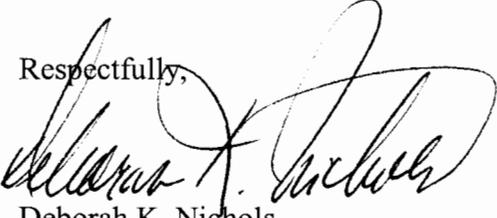
- District of Columbia Sports and Entertainment Commission's Executive Leadership Failed to Implement an Effective Governance Structure to Ensure Sound Financial Management Decisions, Management Accountability, and Compliance with Applicable Laws and Regulations, RELEASED: October 17, 2003
- District of Columbia Sports and Entertainment Commission's Contracting, Procurement, and Spending Practices Characterized by Mismanagement, Noncompliance, and Inadequate Internal Controls, RELEASED: October 17, 2003

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Councilmember Sharon Ambrose  
February 25, 2005

Our review procedures consisted of staff inquiries as well as a review of the status of recommendations which was provided by agency management. Our follow-up work is being conducted in accordance with government audit standards established by the Comptroller General of the United States, United States Government Accountability Office.

It is my plan to follow-up on all findings and recommendations to determine whether timely and appropriate corrective actions have been undertaken and fully implemented by the appropriate agency. I believe that our efforts to ensure timely implementation of recommendations contained in District of Columbia Auditor reports will contribute substantially to the goal of making government work more efficiently, effectively, and economically. Further, we will continuously monitor recommendations that have only been partially implemented or not implemented at all. Our efforts in this particular area will be to assist the affected agency in designing and implementing corrective actions or other solutions to effectively and timely address the deficiency, weakness, or risk found during the audit.

As always, please do not hesitate to contact me at 202/727-3600 should you have any questions.

Respectfully,  
  
Deborah K. Nichols  
District of Columbia Auditor

Attachments as stated

cc: Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2004 REPORTS:**

“District of Columbia Sports and Entertainment Commission’s Contracting, Procurement, and Spending Practices Characterized by Mismanagement, Noncompliance, and Inadequate Internal Controls”

**RELEASED:** October 17, 2003

**TOTAL RECOMMENDATIONS: 20**  
**RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 9**  
**RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 6**  
**RECOMMENDATIONS NOT IMPLEMENTED: 4**  
**NO RESPONSE TO RECOMMENDATIONS: 1**

**FINDING NO. 1: INADEQUATE INTERNAL CONTROLS FACILITATED NON-COMPLIANCE WITH PROCUREMENT LAWS, POLICIES AND PROCEDURES**

**Subfinding 1:** DCSEC’s Current Chief Financial Officer (CFO) Also Serves as Its In-House Legal Counsel and Contracting Officer  
**Subfinding 2:** DCSEC’s Management Executed a Contract Valued at More Than \$1 Million Without Obtaining Prior Approval From the Council of the District of Columbia  
**Subfinding 3:** DCSEC’s Procurement Process Did Not Promote Fair and Open Competition  
**Subfinding 4:** DCSEC Management Awarded \$1.3 Million in Contracts Over \$50,000 Without Board Approval  
**Subfinding 5:** DCSEC Procurement Regulations Failed to Set Forth A Procedure for the Award of Consulting Services Contracts  
**Subfinding 6:** DCSEC Management Violated Procurement Regulations in the Award of Sole Source Contracts

<b>RECOMMENDATION</b>	<b>STATUS OF IMPLEMENTATION OF RECOMMENDATIONS</b> Letter dated February 22, 2005	<b>EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED</b>
With regard to the employee serving in the capacity of chief financial officer, in-house legal counsel, and contracting officer, the Board of Directors should immediately ensure that these three functions are not administered under any circumstances by the same employee. The Board of Directors, through its Personnel Committee, should use a competitive recruitment and selection process to identify qualified, competent candidates who possess an adequate mix of governmental and private sector expertise appropriate to the requirements of DCSEC’s legal, financial, and procurement operations.	Last year, DCSEC hired a Chief Financial Officer who was recommended by the District’s Chief Financial Officer. Last month a general counsel was hired. DCSEC is currently recruiting for a newly created procurement officer position. This position should be filled no later than April 1, 2005.	
The DCSEC Board of Directors and management comply with District laws requiring the submission of Sports and Entertainment Commission contracts in	Since early 2004, the DCSEC Board established the practice whereby all contracts whose annual value exceeds \$1 million have been submitted to the Council of the District of Columbia. The only DCSEC contract in excess of \$1 million was the proposed agreement for	

<p>excess of \$1,000,000 to the Council of the District of Columbia for review and approval. Contracts that DCSEC classifies as event services are not exempt from this requirement</p>	<p>design/build services for the renovation of RFK stadium. That contract was submitted to and approved by the Council.</p>	
<p>DCSEC's Board of Directors, through the Contracting and Procurement Committee, revise current procurement regulations to address deficiencies related to small purchases, competitive bidding, and sole source procurements, including specific provisions to govern contracts for consulting and expert services and the use of retainer agreements and retainer fees.</p>	<p>The DCSEC Board of Directors formed an Operations Committee in January 2005 to review all procurements and contracts. In addition, DCSEC's newly hired general counsel has been given the responsibility of reviewing DCSEC's procurement regulations to address the deficiencies cited in the D.C. Auditors report and any other issue that may be identified. Proposed changes to the procurement rules will be presented to the Board's Operations Committee, which has jurisdiction over procurement matters, for review and recommendation to the full DCSEC Board. A new procurement officer is also being recruited who will be responsible for overhauling DCSEC's procurement system.</p>	
<p>DCSEC's Board of Directors, through the Contracting and Procurement Committee, hold the Executive Director accountable for the development of more comprehensive procurement procedures governing small purchases, including implementing a requirement for a minimum of three quotes for all small purchases above a specific dollar threshold to ensure fair and competitive procurement practices. DCSEC's Board of Directors, through the Committee on Contracting and Procurement, identify specific requirements for and documentation to be maintained by management in the solicitation and evaluation of proposals submitted through the competitive bidding process.</p>	<p>The DCSEC Board of Directors formed an Operations Committee in January 2005 to review all procurements and contracts. In addition, DCSEC's newly hired general counsel has been given the responsibility of reviewing DCSEC's procurement regulations to address the deficiencies cited in the D.C. Auditors report and any other issue that may be identified. Proposed changes to the procurement rules will be presented to the Board's Operations Committee, which has jurisdiction over procurement matters, for review and recommendation to the full DCSEC Board. A new procurement officer is also being recruited who will be responsible for overhauling DCSEC's procurement system.</p>	
<p>DCSEC's Board of Directors must exercise more extensive and effective oversight of DCSEC's procurement and contracting activities; establish policies and procedures that ensure the Board's scrutiny and approval of contracts exceeding \$50,000 before management awards such contracts; and require management's strict adherence to</p>	<p>The DCSEC Board of Directors formed an Operations Committee in January 2005 to review all procurements and contracts. In addition, DCSEC's newly hired general counsel has been given the responsibility of reviewing DCSEC's procurement regulations to address the deficiencies cited in the D.C. Auditors report and any other issue that may be identified. Proposed changes to the procurement rules will be presented to the Board's Operations Committee, which has jurisdiction over procurement matters, for</p>	

requirements under DCSEC's procurement regulations with regard to the award of sole source contracts.	review and recommendation to the full DCSEC Board. A new procurement officer is also being recruited who will be responsible for overhauling DCSEC's procurement system.	
<b>FINDING NO. 2: DCSEC'S RECORDKEEPING PRACTICES WERE INSUFFICIENT</b>		
<b>RECOMMENDATION</b>	<b>STATUS OF IMPLEMENTATION OF RECOMMENDATIONS</b>	<b>EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED</b>
DCSEC's Board of Directors hold the Executive Director accountable for the development and implementation of an adequate effective record keeping system for the maintenance of contract files, credit card records, disbursement records, and various other documents that support all operational expenses.		No response
<b>FINDING NO. 3: DCSEC'S MANAGEMENT ENGAGED IN EXCESSIVE AND/OR UNNECESSARY SPENDING DURING FISCAL YEARS 2000 THROUGH 2003, AS OF JANUARY 31, 2003</b>		
<b>RECOMMENDATION</b>	<b>STATUS OF IMPLEMENTATION OF RECOMMENDATIONS</b>	<b>EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED</b>
DCSEC management immediately terminate all agreements with private law firms in that these agreements were based on a noncompetitive procurement process that lacked integrity and created the appearance of preferential treatment	DCSEC currently has contracts with two law firms, Covington & Burling and Leftwich & Ludaway. Both contracts were retained through a competitive procurement.	
DCSEC's Board of Directors and Executive Director conduct a study to determine whether it is cost effective to employ an optimally sized full-time legal staff, use the legal resources of other District agencies such as the Office of the Corporation Counsel on a short-term or temporary basis, contract out only specified types of legal work, or contract out all legal work to a private law firm based upon the use of a competitive procurement process. In the meantime, when DCSEC lacks the requisite legal resources or expertise in-house, it should seek to utilize the legal expertise of the District's Office of	DCSEC recently hired a general counsel who has substantial experience working with outside counsel. DCSEC is confident that the new general counsel's experience will allow us to exercise the judgment necessary to determine when the use of outside counsel is appropriate.	

<p>the Corporation Counsel, under a cost reimbursement arrangement, on a temporary or short-term basis before it procures outside legal counsel.</p>		
<p>In procuring legal services, DCSEC must use a competitive procurement process that is fair, open, and well-documented. Further, the competitive process used must ensure that quality legal services are obtained at a reasonable price.</p>	<p>DCSEC will use competitive procurements to contract for all of its future needs, including legal service.</p>	
<p>DCSEC's Board of Directors and Executive Director prepare written guidelines, approved by a majority of the Board of Directors, which set forth: the criteria for deciding whether to seek outside legal counsel; and criteria and procedures regarding the type of legal work to be obtained from outside legal counsel, the specific agency official authorized to request legal services from a legal services contractor, cost control measures, and monitoring the quality of services rendered.</p>	<p>Decisions to retain outside counsel will be made through consultation among the DCSEC Board of Directors, the DCSEC CEO, and the DCSEC General Counsel. If it is determined that a matter cannot be handled by the DCSEC General Counsel, DCSEC will seek the services of outside counsel through a competitive procurement. Any future procurement for outside legal counsel will include a specific scope of work and request competitive rates for that work.</p>	
<p>DCSEC's Executive Director exercise effective management control over the authorization of travel at DCSEC's expense to ensure that it is necessary, economically priced, fully documented, and directly related to DCSEC's core mission.</p>	<p>The DCSEC Chief Financial Officer has implemented new policies and procedures to ensure effective management control over the authorization of travel expense.</p>	
<p>DCSEC's Board of Directors establish a policy regarding the expenditure of DCSEC funds by the Executive Director and any other DCSEC employee for entertainment and hospitality expenses. The policy should, at a minimum, include a requirement for a written justification to be submitted to and approved by a majority of the Board of Directors prior to the obligation of DCSEC funds to pay the expense. The failure to comply with this policy and procedure should result in the accountable employee being held personally liable for reimbursing the expenditure to DCSEC.</p>	<p>At the direction of the Board of Directors, the DCSEC Chief Financial Officer has established a policy that governs the expenditure of DCSEC funds by DCSEC employees and its Board of Directors for entertainment and hospitality. The General Counsel is in the process of preparing written policies enforcing these procedures.</p>	

<p>DCSEC's Board of Directors and Executive Director should discontinue the practice of sponsoring events and making contributions for various projects until the organization's financial position improves. Further, the Board of Directors should consider establishing a policy and procedures which govern the use of DCSEC funds to make contributions to or sponsor events presented by other organizations, when such activities fall outside of DCSEC's grant award process.</p>	<p>DCSEC is developing policies and procedures governing event sponsorship. That policy will be implemented prior to the end of the Fiscal Year 2005.</p>	
<p><b>FINDING NO. 4: DCSEC SPENT \$14,533 TO SEND THE MAYOR AND DCSEC STAFF TO THE MAJOR LEAGUE BASEBALL GAME IN ATLANTA DURING FISCAL YEAR 2000: No Recommendations</b></p>		
<p><b>FINDING NO. 5: DCSEC MANAGEMENT FAILED TO ADOPT POLICIES AND PROCEDURES GOVERNING THE USE OF CREDIT CARDS</b>  <b>Subfinding 1:</b> DCSEC Corporate Credit Cards Were Used to Make Purchases That Appeared to Be Personal  <b>Subfinding 2:</b> Undocumented Corporate Credit Card Charges</p>		
<p><b>RECOMMENDATION</b></p>	<p><b>STATUS OF IMPLEMENTATION OF RECOMMENDATIONS</b></p>	<p><b>EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED</b></p>
<p>DCSEC's Executive Director and former Facilities Manager immediately reimburse DCSEC for personal expenditures charged to the corporate credit card totaling \$818.68. If these reimbursements are not made within 15 days of the date of this final report, the amounts should be deducted from each manager's salary payments until fully repaid.</p>		<p>DCSEC Board of Directors created an Implementation Committee immediately after issuance of the D. C. Auditor's October 16, 2003 report concerning DCSEC's contracting and spending practices. The committee reviewed the report's findings and recommendations concerning the corporate credit card charges of certain DCSEC employees, including the executive director. In those instances where it was determined that a credit card charge was inappropriate, the DCSEC employee provided reimbursement for that charge.</p>
<p>DCSEC's Executive Director immediately cancel all corporate credit cards issued in DCSEC's name, or the names of its employees if DCSEC is ultimately responsible for paying the bills, and provide the Auditor with evidence of the cancellation within 15 days of the date of this report.</p>	<p>All DCSEC credit cards have been cancelled.</p>	

<p>Each manager responsible for expenditures that are not supported by adequate or any documentation must repay these expenditures to DCSEC within 60 days of the date of this report, unless adequate original supporting documentation can be provided. If these officials fail to provide adequate original documentation to support each expenditure and fail or refuse to repay these charges to DCSEC, the Auditor will refer this matter to appropriate law enforcement authority for further investigation and the Office of Corporation Counsel to initiate the appropriate civil action to recover these funds. At a minimum, the Executive Director must substantiate or repay \$8,938.89; the Armory Manager must substantiate or repay \$291.37; and the Chief Financial Officer must substantiate or repay \$2,141.81.</p>		<p>DCSEC Board of Directors created an Implementation Committee immediately after issuance of the D. C. Auditor's October 16, 2003 report concerning DCSEC's contracting and spending practices. The committee reviewed the report's findings and recommendations concerning the corporate credit card charges of certain DCSEC employees, including the executive director. In those instances where it was determined that a credit card charge was inappropriate, the DCSEC employee provided reimbursement for that charge.</p>
<p>DCSEC's Board of Directors establish a specific policy and process regarding the criteria that must be used to determine the necessity for corporate credit cards to be issued in DCSEC's name, in addition to the criteria that will be used to determine which DCSEC employees will be assigned credit cards; expenditure limits for each card; the types of purchases that cards may be used to make; regular specific reports that must be filed with the Board concerning expenditures made with all credit cards issued to DCSEC employees including the Executive Director; a requirement that the Executive Director develop complete policies and procedures regarding credit card usage that must be adhered by DCSEC employees under his management control; and specific accountability measures that will be applied by the Board for any failure of the Executive Director to comply with the Board's policy and procedures.</p>		<p>A corporate credit card policy will be adapted by the DCSEC Board of Directors if it is decided to reissue credit cards to DCSEC employees.</p>

<p>The DCSEC official who authorized the disbursement of \$2,315 for the purchase of first class air fare for the Mayor and his spouse must reimburse DCSEC for this improper expenditure of public funds.</p>		<p>DCSEC is developing policies and procedures governing event sponsorship. That policy will be implemented prior to the end of the Fiscal Year 2005.</p>
<p>The DCSEC official who authorized the disbursement of \$1,116 to the campaign to Re-elect Bill Campbell reimburse DCSEC for this improper expenditure of public funds</p>		<p>The DCSEC does not believe this expenditure was inappropriate. The \$1,116 paid to the Committee to Re-Elect Bill Campbell was not a campaign contribution but a payment for tickets to the Major League Baseball All-Star Game in Atlanta, Georgia. An independent investigation by the O. C. Board of Election and Ethics concluded that DCSEC had not violated any laws by purchasing these tickets, but such conduct will not be permitted in the future.</p>
<p>In light of financial and procurement irregularities, questionable spending, deplorable financial condition of DCSEC, and poor management performance rendered to DCSEC by the current executive director, DCSEC's operations would substantially benefit from a new management team.</p>	<p>The DCSEC Board of Directors has hired a new management team. In January 2004, a new Board Chairman was named. In November 2004 a new Chief Executive Officer was hired. A new Chief Financial Officer was hired in January 2004. Last month, DCSEC hired a general counsel. The DCSEC Board of Directors is confident this new management team has the talent and expertise to transform DCSEC into an agency that will be a model for the rest of the District government as well as other stadium authorities throughout the country.</p>	

**OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2004 REPORTS:**

"District of Columbia Sports and Entertainment Commission's Executive Leadership Failed to Implement an Effective Governance Structure to Ensure Sound Financial Management Decisions, Management Accountability, and Compliance with Applicable Laws and Regulations"

**RELEASED:** October 17, 2003

**TOTAL RECOMMENDATIONS: 21**

**RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 9**

**RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 10**

**RECOMMENDATIONS NOT IMPLEMENTED:**

**NO RESPONSE TO RECOMMENDATIONS: 2**

**FINDING NO. 1: THE DCSEC CHAIRPERSON'S FAILURE TO IMPLEMENT AN EFFECTIVE GOVERNANCE STRUCTURE COUPLED WITH AN AUTOCRATIC LEADERSHIP STYLE WEAKENED THE BOARD'S ABILITY TO PROVIDE EFFECTIVE OVERSIGHT**

**Subfinding 1:** Board Chairperson Failed to Establish Standing Committees Required by Board By-laws

**Subfinding 2:** DCSEC's Board Failed to Ensure the Development and Implementation of a Strategic Plan

**Subfinding 3:** Ineffective System for Communicating Information to Board Members

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
<p>The DCSEC Board of Directors examine the Board's current structure and identify and implement best practices in Board governance including but not limited to: the development and dissemination of a Board manual that includes all Board policies; the identification of a process to review and approve actions of the Board Chairperson; the implementation of a process for the orderly transition from one Chairperson to the next; and a mechanism for annually evaluating Board leadership.</p>	<p>DCSEC's General Counsel has been directed to review all DCSEC rules and regulations, including the Board's by-laws. After completing that review, recommendations for revisions to DCSEC rules and regulations, if necessary, will be made by the General Counsel. The General Counsel, in consultation with Board's newly formed Executive Committee, will develop a Board policy manual. This is expected to be completed by the end of Fiscal Year 2005.</p>	
<p>The DCSEC Budget and Finance Committee must ensure that it meets regularly and works closely with DCSEC management to ensure that spending is adequately controlled in order to eliminate future operating deficits.</p>	<p>The Finance Committee, which is chaired by a representative of the District's Chief Financial Officer, meets monthly. The Finance Committee submits a written report to the full Board. The Committee's report is discussed at every monthly board meeting.</p>	
<p>The DCSEC Personnel Committee must establish and recommend to the full Board a formal performance evaluation process for the Executive Director and must ensure that</p>	<p>The employment agreement with the newly hired Executive Director/CEO sets forth the criteria that the Board will evaluate his performance. The criteria includes: 1) the effectiveness and efficiency of the CEO's management of DCSEC including, staff,</p>	

<p>the Executive Director is evaluated annually and held fully accountable for the achievement of stated performance goals and objectives.</p>	<p>budget, and event operations; 2) management of construction projects, including the renovation of existing facilities and the construction of new stadiums, ensuring each project complies with District law and DCSEC policies and meet schedule and budget requirements; and 3) enhancement of net revenue generated by DCSEC.</p>	
<p>The DCSEC Personnel Committee must immediately require DCSEC management to devise adequate personnel rules to ensure compliance with D.C. Law 10-152.</p>	<p>DCSEC currently has personnel regulations that follow the District of Columbia Merit Personnel Act, D.C. Law 2-139. The DCSEC General Counsel will be reviewing those regulations to determine their consistency with the D.C.Law 10-152. DCSEC is also in the process of recruiting and hiring a Director of Human Resources who will be responsible for enforcing DCSEC's personnel regulations and creating a separate personnel system for DCSEC. It is anticipated that DCSEC Director of Human Resources will be hired no later than April 1, 2005.</p>	
<p>DCSEC's Board of Directors include a provision in future employment contracts requiring the Executive Director to reside in the District of Columbia.</p>		
<p>The DCSEC Board of Directors, in conjunction with management, must immediately develop a strategic plan that clearly identifies the organization's mission, vision, values, goals, and priorities.</p>	<p>The Board has developed the components of a strategic plan and has hired a management consultant firm that is currently examining DCSEC's organizational structure in order to make recommendations to improve our operations, particularly with respect to the operation of a major league baseball franchise. The management consultants findings and recommendations will be the subject of a retreat among the Board and senior management where an organizational strategic plan will be developed. That retreat will be held in May or June 2005.</p>	
<p>The DCSEC Board of Directors must define a process to monitor and evaluate management activities and initiatives to ensure alignment with the strategic plan and DCSEC's mission.</p>	<p>The Board has developed the components of a strategic plan and has hired a management consultant firm that is currently examining DCSEC's organizational structure in order to make recommendations to improve our operations, particularly with respect to the operation of a major league baseball franchise. The management consultants findings and recommendations will be the subject of a retreat among the Board and senior management where an organizational strategic plan will be developed. That retreat will be held in May or June 2005.</p>	
<p>The DCSEC Board of Directors must establish standard financial and performance reports to be regularly submitted by management to all Board members for informational, policy development, and decision making purposes.</p>	<p>The Finance Committee, which is chaired by a representative of the District's Chief Financial Officer, meets monthly. The Finance Committee submits a written report to the full Board. The Committee's report is discussed at every monthly board meeting.</p>	

<p>The use of confidentiality or nondisclosure clauses in employment discrimination settlement agreements such as the one discussed in this report should be voided immediately in that clauses prohibiting the disclosure of public information that do not violate an individual's right to privacy are contrary to public policy.</p>		
<p><b>FINDING NO. 2: DCSEC's MANAGEMENT ENGAGED IN DEFICIT SPENDING DURING FISCAL YEARS 1999 THROUGH 2002</b></p>		
<p><b>RECOMMENDATION</b></p>	<p><b>STATUS OF IMPLEMENTATION OF RECOMMENDATIONS</b></p>	<p><b>EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED</b></p>
<p>DCSEC's Board and executive management must eliminate future deficit spending by cutting costs in areas of significant growth such as professional services and development.</p>	<p>The Board of Directors reduced the budget for Fiscal Year 2004 from \$13.9 million to approximately \$7 million. This action was taken so that the Fiscal Year 2004 Budget would realistically reflect the anticipated revenues for that year.</p>	
<p>The Board of Directors immediately assess the capital improvement needs of DCSEC and develop a comprehensive facilities improvement plan covering a minimum five-year period.</p>	<p>The Finance Committee will prepare a capital spending plan once the new professional baseball franchise begins operating at RFK. An effective and informed capital spending plan cannot be developed until we fully understand the financial impact that the new baseball franchise will have on the DCSEC's operations.</p>	
<p>The Board's Budget and Finance Committee immediately develop and implement a policy regarding the circumstances and criteria that must be met in order to justify the use of investment or reserve funds to support operations.</p>	<p>The Finance Committee will present an investment policy for the review and approval of the entire Board prior to the end of this fiscal year.</p>	
<p>DCSEC's Executive Director devise and implement a viable plan to successfully increase the number of revenue generating events held at the RFK Stadium and the D.C. Armory.</p>	<p>Strategies for increasing DCSEC revenue generating events will be a part of the strategic planning exercise.</p>	

**FINDING NO. 3: WITHOUT A SIGNIFICANT CASH INFUSION AND THE IMPLEMENTATION OF DRASTIC COST-CUTTING MEASURES, DCSEC WILL NOT BE A FINANCIALLY VIABLE ENTITY IN FISCAL YEAR 2004**

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
DCSEC's Board of Directors, in cooperation with the Chief Financial Officer of the District of Columbia, must develop a sound financial plan to address DCSEC's financial crisis. The plan should identify substantial expenditure reductions and revenue generating opportunities to eliminate the imbalance between revenues and expenditures in fiscal year 2003 and 2004, at a minimum.	The DCSEC will be developing a financial plan once the financial implications of the presence of the baseball franchise are understood. A number of additional revenue opportunities and costs are expected with the addition of baseball.	

**FINDING NO. 4: DCSEC VIOLATED THE APPROPRIATION PROCESS AND THE ANTI-DEFICIENCY ACT**

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
DCSEC comply with the Congressional appropriation process including the supplemental budget process and the Reprogramming Policy Act.	DCSEC is adhering to the appropriation process. DCSEC recently submitted a revised budget to the District's CFO for inclusion in the District's supplemental budget to reflect the additional revenues and spending created by the operation of the new baseball franchise.	
DCSEC's management adhere to the provisions of the Federal and District Anti-Deficiency Act and immediately discontinue the practice of spending in excess of its Congressionally approved budget.	DCSEC is complying with federal and local Anti-Deficiency Act by monitoring its spending to ensure that it does not exceed its appropriated budget.	
The District's CFO hold DCSEC's Executive Director and CFO and any other DCSEC employee strictly accountable for violations of the District Anti-Deficiency Act, including termination from their position.	All DCSEC personnel will be held accountable for willful violations of the Anti-Deficiency Act.	

**FINDING NO. 5: THE DISTRICT'S CHIEF FINANCIAL OFFICER FAILED TO PROVIDE TIMELY, EFFECTIVE OVERSIGHT OF DCSEC'S FINANCIAL OPERATIONS AND ACTIVITIES**

**Subfinding 1: DCSEC's CFO Functioned Outside the Supervisory Authority and Control of the District's CFO**

<b>RECOMMENDATION</b>	<b>STATUS OF IMPLEMENTATION OF RECOMMENDATIONS</b>	<b>EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED</b>
DCSEC adhere to financial reporting requirements applicable to all District agencies including the submission of the FRP to ensure adequate oversight and control of DCSEC's finances.	DCSEC's Chief Financial Officer is working with the District CFO's staff to ensure compliance with all applicable financial reporting requirements.	
Consideration should be given to requiring DCSEC's CFO to report directly to the District's CFO to ensure independent supervision and accountability and to eliminate current and future irregular financial management practices.	DCSEC's CFO reports to the District's CFO.	

**FINDING NO. 6: DCSEC'S EXECUTIVE DIRECTOR FAILED TO MEET GOALS SET FORTH IN HIS EMPLOYMENT AGREEMENT**

<b>RECOMMENDATION</b>	<b>STATUS OF IMPLEMENTATION OF RECOMMENDATIONS</b>	<b>EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED</b>
DCSEC's Board of Directors must implement a process for regularly assessing the performance of the Executive Director and holding this official accountable for achieving established performance goals.	The DCSEC Board of Directors plans to periodically review and assess the new Executive Director/CEO's performance.	
DCSEC's Board of Directors must increase its oversight of management's selection of events to ensure that they are aligned with the Commission's mission and goals of strengthening DCSEC's revenue generating capacity; promoting the District as an attractive venue for sports and entertainment events; and advancing the District's economic development objectives.	Once a strategic plan is developed, the DCSEC Board will monitor and evaluate the selection of events and their impact on DCSEC's financial status.	