

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 23-I-02EN0

February 2023



Department of Small and Local Business
Development

Special Evaluation of D.C. Main Streets
Program



GUIDING PRINCIPLES

*ACCOUNTABILITY * INTEGRITY * PROFESSIONALISM*
*TRANSPARENCY * CONTINUOUS IMPROVEMENT * EXCELLENCE*

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

Accountability * Integrity * Professionalism
Transparency * Continuous Improvement * Excellence





Executive Summary

Special Evaluation of D.C. Main Streets Grant Program

WHY WE DID THIS EVALUATION

This special evaluation was initiated at the request of the D.C. Council.

OBJECTIVES

Our objectives for this evaluation were to review:

- (1) DSLBD's administration of the D.C. Main Streets (DCMS) program's grant application and award processes;
- (2) selected DCMS grantees' compliance with grant agreement requirements; and
- (3) DSLBD's oversight of awarded grants, to determine whether there are any opportunities for improvement that could reduce the potential for fraud, waste, and abuse within the Main Streets Program.

WHAT WE FOUND

The DCMS Program provides grant funds to nonprofit organizations to revitalize business corridors in the District by retaining businesses, improving commercial properties, and attracting consumers. DSLBD oversees the grant application and award processes, but the processes have lacked sufficient internal controls, which can result in the appearance of grants being steered to specific applicants when that may not be true.

DSLBD also oversees grant administration by monitoring grantee compliance with grant agreements. Staffing shortages, process deficiencies, and information technology (IT) system issues, however, have resulted in some instances of DSLBD neglecting to monitor or verify expenditures, subgrants, or technical assistance adequately. These issues, in addition to a lack of specific training for DSLBD and DCMS staffs and an absence of clear regulations, have left the DCMS Program vulnerable to fraud, waste, abuse, and mismanagement.

WHAT WE RECOMMEND

We made 17 recommendations to DSLBD to strengthen its internal controls and monitoring. The recommendations enhance policy, procedures, and processes and are intended to increase efficiency, effectiveness, and transparency in the DCMS Program and restore stakeholders' trust in the agency. Our work produced three additional observations and we recommend that stakeholders consider whether action is necessary to alleviate these concerns.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



February 17, 2023

Kristi C. Whitfield
Director
Department of Small and Local Business Development
441 4th Street N.W., Suite 850 North
Washington, D.C. 20001

Dear Director Whitfield:

Enclosed is our final report, *Department of Small and Local Business Development: Special Evaluation of D.C. Main Streets Program* (OIG Project No. 23-I-02EN0). The objectives for this evaluation were to review: (1) DSLBD's administration of the Main Streets Program's grant application and award process; (2) selected Main Streets grantees' compliance with grant agreement requirements; and (3) DSLBD's oversight of awarded grants, to determine whether there are any opportunities for improvement that could reduce the potential for fraud, waste, and abuse within the Main Streets Program.

On December 21, 2022, the OIG sent a draft report to DSLBD for comment.¹ We received your response on February 13, 2023. We made 17 recommendations for which DSLBD fully agreed with 11, partially agreed with four, and disagreed with two. In some instances, in the final report, the OIG commented on your written response.

The OIG appreciates DSLBD's thoughtful and thorough response to its report. One aspect of the response, however, warrants comment. The OIG looks for fraud, abuse, or bias in the programs it evaluates and would address any that it discovered. The Inspections and Evaluations (I&E) Unit focuses on evaluating the effectiveness and efficiency of agencies and programs and aims to identify deficiencies in policies, processes, and procedures that may hinder such effectiveness and efficiency. In this evaluation, the I&E Unit concentrated its efforts on those policies, processes, and procedures at a selective sample of six Main Streets. The I&E Unit's objectives did not include proving the existence of specific fraud within any of the Main Streets nor exonerating any Main Street for its activities during the project's scope. If any specific action or incident caused the I&E Unit concern in this regard, it would, as a matter of standard practice, refer the incident to the Investigations Unit and the results of that referral would not be contained within this report.


¹ On May 23, 2022, the OIG sent a Summary in Brief to DSLBD, the Deputy Mayor for Planning and Economic Development, and three members of the Council of the District of Columbia. As stated in the accompanying cover letter, the Summary in Brief presented a number of preliminary observations that "require[d] prompt action from stakeholders" and three initial recommendations to DSLBD and the Council.

Director Whitfield
Special Evaluation of D.C. Main Streets Program
OIG Project No. 23-I-02EN0
February 17, 2023
Page 2 of 3

This report should not be interpreted as the OIG's official determination related to the complaints DSLBD referred to in its response. Although the I&E Unit was aware of the complaints and used them to inform its fieldwork, it did not seek to register an opinion on the validity of the specific claims. Instead, the reader should view this report as the OIG's identification of internal control weaknesses in the Main Streets programs, which, if corrected, would help to improve the programs' efficiency and effectiveness and prevent future instances of either real or perceived fraud, waste, abuse, bias, or mismanagement.

If you have any questions concerning this report, please contact me or Edward Farley, Assistant Inspector General for Inspections and Evaluations, at (202) 727-2540 or Edward.Farley@dc.gov. The OIG will follow up on the implementation status of each recommendation next fiscal year.

Sincerely,


Daniel W. Lucas
Inspector General

DWL/ef

Enclosure

cc: See Distribution List

DISTRIBUTION (via email):

The Honorable Muriel Bowser, Mayor, District of Columbia, Attention: Betsy Cavendish
Mr. Kevin Donahue, City Administrator, District of Columbia
Mr. Barry Kreiswirth, General Counsel and Senior Policy Advisor, Office of the City Administrator
Mr. Eugene Adams, Director, Mayor's Office of Legal Counsel
Mr. John Falcicchio, Deputy Mayor for Planning and Economic Development, Executive Office of the Mayor
The Honorable Phil Mendelson, Chairman, Council of the District of Columbia
The Honorable Kenyan R. McDuffie, Chairperson, Committee on Business and Economic Development, Council of the District of Columbia
Ms. Susana Castillo, Director of Communications, Office of Communications, Executive Office of the Mayor
Ms. Jennifer Reed, Director, Office of Budget and Performance Management, Office of the City Administrator
Ms. Nyasha Smith, Secretary to the Council, Council of the District of Columbia
Mr. Glen Lee, Chief Financial Officer, Office of the Chief Financial Officer
Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer
The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor, Attention: Cathy Patten
Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management

TABLE OF CONTENTS

	Page
BACKGROUND.....	1
FINDINGS.....	2
No D.C. laws or regulations specifically govern the Main Streets Program.	2
DSLBD employees and DCMS Boards of Directors could benefit from training in fraud detection and prevention.	4
DSLBD modified its Request For Application process and practices in a way that could be misconstrued as grant steering.....	5
DSLBD did not properly document justification for awarding grants to lower-scoring entities.....	7
DCMS’ process for reporting expenditures for Main Street programs did not include sufficient internal controls and left the program vulnerable to fraud, waste, or abuse.	10
DSLBD did not consistently verify goods purchased or services rendered.....	14
DSLBD’s monitoring of subgrants and technical assistance is insufficient.....	17
Some Main Street programs failed to submit required biannual audits to DSLBD; others audited their entire organizations instead of the specific Main Street Program.....	20
Closeout letters focused on grantees’ compliance with reporting requirements (sometimes inaccurately) rather than grantees’ progress toward the Main Street program’s goal.	23
Quickbase has not stored historical data.....	26
DSLBD has not regularly re-competed DCMS grants.....	28
ADDITIONAL OBSERVATIONS.....	29
CONCLUSION.....	33
APPENDICES	34
Appendix A. Objectives, Scope, and Methodology	34

Appendix B. Acronyms and Abbreviations.....	35
Appendix C. Table of Recommendations	36
Appendix D. DCMS RFA 1	39
Appendix E. DCMS RFA 2	49
Appendix F. DCMS Program Budget.....	60
Appendix G. DCMS Tiers	63
Appendix H. DCMS Pole Banners (Photographed April 28, 2022).....	65
Appendix I. DCMS Locations by Ward.....	69
Appendix J. DSLBD Response to the Draft Report.....	70

BACKGROUND

The DCMS Program is a licensed, coordinating program of National Main Street Center, Inc. (NMSC) and follows the *Main Street Approach* to transform and build stronger communities through preservation-based economic development.² NMSC authorizes the coordinating program, which in the District’s case is the Department of Small and Local Business Development (DSLBD), to accredit local programs and follow best practices and guidelines.

DCMS was created in 2002 to stimulate and support economic revitalization in designated business corridors throughout the District.³ The program has grown rapidly in size, increasing from 10 Main Streets in 2016 to 28 Main Streets in 2022. The program’s budget has likewise grown, increasing 230 percent in the last 6 years, from \$1,530,000 in 2016 to \$5,062,000 in 2022.

The D.C. Council designates Main Street corridors and allocates grant funds. DSLBD’s Commercial Revitalization Division (CRD) is responsible for administering and overseeing the DCMS Program.⁴ Generally, CRD provides technical assistance to local community organizations, oversees the grant application and award process, monitors grantees and grant funds, and conducts closeout reviews of DCMS grants.

DSLBD awards grants to nonprofit organizations located in the District. These organizations are tasked with using these funds to assist business corridors with “retention, expansion, and attraction of neighborhood-serving retail stores” and “unify and strengthen the commercial corridor.”⁵

According to DCMS grant agreements, DCMS should have an active board and committees, an adequate budget, a paid professional executive director, national membership, broad-based community support, a vision and mission statement, a comprehensive implementation plan, and a historic preservation ethic.⁶ Additionally, the DCMS grant agreements stipulate the programs shall provide ongoing training and report key statistics, submit quarterly reports, be operationally and financially viable, acknowledge DCMS in all program materials, and coordinate with DSLBD.⁷

Our objectives for this evaluation were to assess DSLBD’s DCMS grant award process, DCMS’ compliance with the grant agreement terms, and DSLBD’s oversight of grantees.

² Main Street America is a nonprofit program of the NMSC. The *Main Street Approach* is a transformation strategy to help guide and focus programs on revitalizing corridors. The approach is focused on four areas: economic vitality, design, organization, and promotion. See <https://www.mainstreet.org/home>.

³ DSLBD website, <https://dslbd.dc.gov/node/443942> (last visited Nov. 15, 2022).

⁴ The CRD is also responsible for Business Improvement Districts and Clean Teams, which serve to beautify District public space by removing litter, graffiti, and the like.

⁵ See e.g., D.C. DEP’T OF SMALL AND LOCAL BUS. DEV., DC MAIN STREETS PROGRAM 2022 REVISED REQUEST FOR APPLICATION (RFA), Sec. I, p. 2 (Oct. 4, 2021).

⁶ D.C. DEP’T OF SMALL AND LOCAL BUS. DEV. AND COLUMBIA HEIGHTS DAY INITIATIVE, ET. AL., FY 2022 DC MAIN STREETS GRANT AGREEMENT, Sec. (1)(IV)(A-H) (Sept. 24, 2021).

⁷ See, e.g., *Id.*

Our objectives, scope, and methodology are provided in Appendix A. We conducted this evaluation under standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). To assess DSLBD's grant administration process, the OIG used the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (GAO-14-704G, the Green Book). The Green Book sets internal control standards for federal entities and may be adopted by state and local entities as a framework for an internal control system.

Internal control is "a process used by management to help an entity achieve its objectives."⁸ 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."⁹ 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."¹⁰

At the outset of this report, the OIG would like to acknowledge DSLBD's responsiveness, timeliness, and cooperativeness throughout the evaluation.

We present these findings generally in the order of a grant's life cycle: 1) creation of the Main Street; 2) grant announcement and award process; and 3) grant administration, renewal, and evaluation/closeout.

FINDINGS

No D.C. laws or regulations specifically govern the Main Streets Program.¹¹

The Citywide Grants Manual and Sourcebook (Sourcebook)¹² requires grantmaking agencies to "prescribe and implement grant or subgranting procedures by written policy or, where applicable, formal rulemaking, to ensure fiscal accountability and prevent waste, fraud, and abuse in programs administered pursuant to this Order."¹³

Likewise, the Green Book encourages management to "implement control activities through policies"¹⁴ and use the policies to document each unit's responsibility for the design,

⁸ U.S. GOV'T ACCOUNTABILITY OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV'T, GAO-14-704G (Sept. 2014), <https://www.gao.gov/products/GAO-14-704G> (last visited Nov. 14, 2022).

⁹ *Id.* § OV2.14 at 12.

¹⁰ *Id.* § OV2.04.

¹¹ D.C. Code §§ 1-328.04(j) and (x) provide the Deputy Mayor for Planning and Economic Development with grantmaking authority in general, to include grants to Main Street programs; however, there is no specific regulation or law governing the Main Streets Program.

¹² The Sourcebook establishes best practices policies and procedures for the programmatic and financial operations of grants. It states that agencies may supplement the Sourcebook with agency specific requirements. *See* CITYWIDE GRANTS MANUAL AND SOURCEBOOK, § 1.0 (Dec. 2016), <https://opgs.dc.gov/sites/default/files/dc/sites/opgs/publication/attachments/Revised%20Sourcebook2016%20%28003%29.pdf> (last visited Nov. 14, 2022) (Sourcebook).

¹³ *Id.* § 11.1.

¹⁴ *Supra* note 4, Principle 12.01.

implementation, and operating effectiveness of control activities. The policies should contain sufficient “detail to allow management to effectively monitor the control activity.”¹⁵

No laws or regulations govern the DCMS program. Although DSLBD representatives reported that DSLBD is developing a DCMS grant guidebook for grantees, a guidebook did not exist at the conclusion of our fieldwork. In the absence of these guides, DSLBD used the Sourcebook, and DCMS grantees used the individual DCMS grant agreements as guidance for the program.

The Sourcebook provides the minimum D.C. grant requirements, but it is not comprehensive and does not address the nuances of the DCMS Program. Additionally, although DCMS grant agreements include specific requirements for DSLBD and grantees, they lacked the details necessary to administer the program and can change yearly from Main Street program to Main Street program.¹⁶ For example, grant agreements do not clearly and formally document DSLBD and grantees’ responsibilities, define key processes, specify requirements for quarterly and expense reports, or contain policies for organizations that oversee multiple Main Streets.

DSLBD staff explained that when the agency created or changed a policy, it received resistance from DCMS grantees that wanted to know the basis of DSLBD’s authority. Implementing laws, regulations, and policies would add consistency and uniformity to the DCMS Program administration, roles, processes, and enforcement.

To promulgate regulations addressing the details of the program’s administration, DSLBD must receive a statutory grant of authority from the D.C. Council. DSLBD previously worked with the D.C. Council on the Main Streets Establishment Act of 2016 (“Act”), which would have codified the Main Streets fund to support the program, established standard operating procedures for creating and implementing Main Streets programs, and allowed for regulations to be promulgated to enforce the Act. However, the bill did not become law.

To remedy this deficiency, we recommend that DSLBD:

Recommendation 1: Work with the D.C. Council to enact a governing statute that authorizes rulemaking authority and then draft regulations to submit to the D.C. Council for approval.

¹⁵ *Id.* Principle 12.03.

¹⁶ The DSLBD website states: “Through our 28 independent, nonprofit neighborhood Main Street programs, we revitalize communities by retaining and recruiting businesses, improving commercial properties and streetscapes, and attracting consumers.” See <https://dslbd.dc.gov/node/443942> (last visited Nov. 16, 2022). In this report, references to a Main Street program means one of the 28 Main Streets.

DSLBD's Response to Recommendation 1:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
1. Work with the D.C. Council to enact a governing statute that authorizes rulemaking authority and then draft regulations to submit to the D.C. Council.	Agree	Under review, as DSLBD determines what to propose to incorporate into pending regulatory and/ or statutory changes.	CY23	DSLBD has actively worked with D.C. Council to amend the CBE Act and its regulations since 2020. We hope to move those changes forward and work with Council on making appropriate updates to the D.C. Main Streets Program.

DSLBD employees and DCMS Boards of Directors could benefit from training in fraud detection and prevention.

DCMS grant agreements state that a grantee must provide training for staff, board members, and volunteers to “lead and implement the Program and remain current on issues that affect commercial district revitalization efforts ...”¹⁷ and participate in DSLBD-sponsored training.

The Green Book emphasizes the need for adequate training in an organization stating, “[m]anagement establishes expectations of competence for key roles ... to help the entity achieve its objectives. Competence ... requires relevant knowledge, skills, and abilities, which are gained largely from professional experience, [and] training ...”¹⁸ Training “[e]nable[s] individuals to develop competencies appropriate for key roles ... and [management] tailor[s] training based on the needs of the role.”¹⁹

DSLBD employees and DCMS Boards of Directors (Boards) perform roles related to grant expenditure review and reconciliation for the DCMS Program. DSLBD employees have participated in pre-award training covering topics like grantee eligibility, fiscal integrity, and other measures of accountability and protection, and post-award training covering topics like monthly and quarterly expense review, verification, and reconciliation of budget categories. DSLBD has not, however, provided training related to detecting, preventing, or addressing grant fraud to employees.

DCMS Boards are “directly involved in leading and implementing the Program”²⁰ by managing the operations, establishing systems for fiduciary control, administering grant requirements, ensuring grant compliance, and monitoring and evaluating grant performance. DSLBD provides DCMS Boards with various fiscal resources. It relies on board members to track and approve program spending and provides training for board members in fiscal governance, financial record keeping, and financial infrastructure and operations. Despite having these responsibilities, we

¹⁷ D.C. DEP’T OF SMALL AND LOCAL BUS. DEV. AND COLUMBIA HEIGHTS DAY INITIATIVE, ET. AL., FY 2022 DC MAIN STREETS GRANT AGREEMENT, Sec. (1)(IV)(F) (Sept. 24, 2021).

¹⁸ *Supra* note 3, Principle 4.02.

¹⁹ *Id.* Principle 4.05.

²⁰ *Supra* note 13, Sec. (1)(III)(E)(1).

determined that DCMS Board members were not required to participate in training related to detecting, preventing, or addressing grant fraud.

DSLBD employees and DCMS Boards have not been trained in grant fraud prevention and detection because DSLBD has not had a policy requiring that specific training. Without this training, DSLBD employees and DCMS Boards may not recognize “red flags” of potential fraud. DCMS staff responsible for reviewing DCMS grantee expenditures stated that if an expenditure looked “off,” they referred the matter to another employee, but they have not taken training designed to help identify these fraud indicators. Attending grant fraud training would enhance DSLBD employees’ and board members’ competency to monitor the DCMS Program and provide an additional layer of protection against potential fraudulent behavior.

Therefore, we recommend that DSLBD:

Recommendation 2: Implement a policy requiring DCMS Boards and DSLBD employees who interact with DCMS to complete fraud prevention training.

DSLBD’s Response to Recommendation 2:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
2. Implement a policy requiring DCMS Boards and DSLBD employees who interact with DCMS to complete fraud prevention training.	Agree	Request OIG to host semi-annual fraud training for DSLBD staff and recommend that DCMS grantees provide proof of fraud training for their respective boards.	FY24	For clarity, the DCMS grantee organizations’ boards are not all “D.C. Main Streets Boards.” The majority are boards of independent non-profits that have won Program grants and likely obtain other types of contributions.

DSLBD modified its Request For Application process and practices in a way that could be misconstrued as grant steering.

The Sourcebook states, “[t]he Agency shall conduct the grantmaking award processes in a manner that provides full and open competition ... [and] should avoid actions and practices that limit competition including, but not limited to ... [a]cting arbitrarily in the grantmaking process” [emphasis added].²¹

On August 9, 2021, DSLBD solicited a request for application (RFA 1) for two Main Street programs. After receiving applications, DSBLD re-solicited the RFA on October 9, 2021, (RFA 2), because the applicants did not submit the required documents. Before re-soliciting the RFA,

²¹ Sourcebook, *supra* note 6, § 8.2 at 19-20.

DSLBD modified the criteria it would use and one of the application's narrative questions, *see* Appendix D and Appendix E.²² The RFA 2 modifications included the following:

- Under “Other Pragmatic Costs,” RFA 2 added funding restrictions for “specialized software capped at \$1,000,” capped event funding at \$10,000, and capped “branding, public relations, and marketing expenses” at \$6,000.
- RFA 2 added the narrative question, “[i]f your organizations previously served in a grantee role for a Main Streets Program and lost this award due to lack of performance or chose to self-rescind this role, please explain why and improvements made towards current application/co-application.”
- RFA 2 changed the points for the scoring criteria, “[c]apacity to **identify current challenges of businesses** in the Main Street district and address **specific technical assistance needs**,” from 40 points to 30 points, and added, “[o]**rganizations** (sic) **internal capacity** to strategize and implement projects and activities on its own as opposed to retaining external consultants or partners (10 points).”

According to DSLBD interviewees, DSLBD changed the RFA for the following reasons:

- DSLBD included the software cap to ensure that as much money went directly to businesses during the pandemic.
- DSLBD added the narrative question because it thought a previous grantee would apply, and it wanted reviewers to know the potential applicant was a previous DCMS grantee.²³
- DSLBD changed the criteria because it wanted to ensure reviewers received the best information to make a decision consistent with what the agency was seeking.

DSLBD has previously made various changes to RFAs. For example, it removed the requirement for applicants to submit pledge and support letters because it determined the letters did not provide helpful information as to whether the applicant was a strong candidate to oversee a Main Street program. It also removed the preliminary review²⁴ of applications because of time constraints due to a lack of staffing.

Interviewees reported the RFA modification process has been informal. The DSLBD employee responsible for the RFA has submitted a justification for suggested changes to its legal department, which then reviews and approves the requested changes.

Regardless of whether DSLBD has a good justification, modifications to RFAs like the examples provided may give the appearance to applicants that the RFAs were directed toward specific applicants. DSLBD stated it modified the RFAs because it was trying to provide application reviewers with the necessary information to evaluate applicants and select the most qualified

²² An RFA is the document that details the requirements for grant applications.

²³ The previous grantee did not apply as an applicant or co-applicant for RFA 1 or RFA 2.

²⁴ The preliminary review allowed DSLBD to review applications before the deadline to advise applicants if required information or documentation was missing.

applicant. The lack of a formal process that outlines when modifications should be considered “regular” in the course of business operations could cause applicants to believe they were targeted by such modifications. Even the appearance that RFA modifications are targeted for or against an applicant could lead applicants and outside observers to question the legitimacy of the application process.

To eliminate the impression that DSLBD would modify and reissue an RFA in response to a specific applicant’s initial submission, we recommend that DSLBD:

Recommendation 3: Establish a formal process to periodically review RFAs and the standards for selecting grantees and commit to only modifying that process within the established timeframe.

DSLBD’s Response to Recommendation 3:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
3. Establish a formal process to periodically review RFAs and the standards for selecting grantees and commit to only modifying that process w/n the established timeframe.	Agree	In process	FY24	DSLBD will need to consider appropriate timing for RFA review and modification in light of the actions and incidents that could prompt changes, e.g., legislative and budget cycles, while also recognizing the need for emergency or corrective changes during an active RFA. DSLBD will remain vigilant and mindful of impacts on applicants.

DSLBD did not properly document justification for awarding grants to lower-scoring entities.

The Sourcebook requires agency directors to make grant award decisions “subject to the advice of any advisory body.”²⁵ Directors must provide written justification in the grant records whenever they deviate from the advisory body’s recommendations. The justification “shall include a strong rationale supported by documentation for the decision to not follow the review panel’s recommendation.”²⁶

Per Office of Public Records requirements, this justification, as a piece of “correspondence and other records relating to the decision to accept or reject grant applications,” must be retained for a specified period.²⁷

²⁵ Sourcebook, *supra* note 6, § 8.6.

²⁶ *Id.*

²⁷ Applications, memorandums, correspondence, and other records relating to the decision to accept or reject grant applications must be kept at least 5 years in the case of rejected applications and, in the case of accepted

DSLBD awarded a lower-scoring applicant a Main Street grant on at least two occasions. In fiscal year (FY) 2016, DSLBD awarded a grant to an entity that scored five points lower than the highest-scoring applicant; in another instance, in FY 2020, DSLBD awarded a grant to an entity that scored 27 points lower than the highest-scoring applicant. DSLBD was unable to produce any written justifications for these deviations.²⁸

DSLBD staff indicated the FY 2016 deviation was made because the winning applicant better embodied “the National Main Streets program model of emphasizing what it calls a ‘hyperlocal’ approach to sustainable preservation and revitalization”²⁹ Unlike the higher-scoring applicant, the winning applicant’s office was located in the DCMS corridor and the applicant had an existing relationship with the community. From DSLBD’s perspective, these factors were enough to overcome the modest difference in scores.

In the FY 2020 deviation, DSLBD staff explained that the score for the higher-scoring entity was an aberration relative to other scores the entity had received on other grant applications during the same period. Using the range of scores that the applicant typically received gave the higher-scoring applicant only a slight edge over the applicant that DSLBD chose. DSLBD reiterated it believed the winning applicant better embodied a hyperlocal approach, which was enough to overcome the difference.

Although the DSLBD director has the authority to choose a lower-scoring applicant and current DSLBD staff’s explanation of the reasoning for those two decisions seemed credible, the lack of contemporaneous documentation justifying the decisions could create the appearance of bias and allow bad actors to steer grants toward desired entities or away from others.

For both the FY 2016 and FY 2020 grant awards, the losing applicant currently manages other Main Street programs. The OIG does not believe these decisions were made in bad faith. However, the appearance of bias could cause stakeholders to lose faith in the award process.

Therefore, to remedy these deficiencies, we recommend that DSLBD:

Recommendation 4: Establish a document retention policy that complies with the requirements of the Office of Public Records.

applications, requires the agency to submit a request for disposition authority to the D.C. Archives. District of Columbia General Records Schedule 3, Item 14 (Dec. 29, 2011).

²⁸ DSLBD indicated that the grants manager for these awards is no longer with the agency; therefore, emails and documents on their laptop related to these decisions are no longer searchable.

²⁹ E-mail from Wanda Stansbury, Deputy General Counsel, D.C. Department of Small and Local Business Development, to Brian Churney, Deputy Assistant Inspector General for Inspections and Evaluations (May 13, 2022, 16:59 EST) (on file with author).

DSLBD's Response to Recommendation 4:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
4. Establish a document retention policy that complies with the requirements of the Office of Public Record.	Agree	The document retention policy has been approved and in effect since September 2019.	Completed	

OIG Comment: The OIG requests that DSLBD provide the approved Document Retention policy referenced in its response. Upon receipt, the OIG will consider this recommendation closed. The OIG reiterates the necessity of adhering to the policy because one of the incidents described in the report occurred in 2020, a year after the policy was reportedly implemented.

Recommendation 5: Include a requirement in agency regulations that written justifications for grant decisions be included in grant files and preserved for independent review for a period specified in the document retention policy.

DSLBD's Response to Recommendation 5:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
5. Include a requirement in agency regulations that written justifications for grant decisions be included in grant files and preserved for independent review for a period specified in the document retention policy.	Agree in part	The document retention policy has been approved and in effect since September 2019, and the new Grants Policies and Procedures Manual went into effect on December 14, 2022. ⁷	Completed	The Department agrees that a written justification should be a part of the grant file and has included this requirement in DSLBD's Grants Policies and Procedures Manual. D.C. Council has the authority to incorporate our policy into the Department's regulations, but DSLBD alone does not. (Please see the Important Note for Recommendation 1.) Any such justification can be requested pursuant to open records laws, thus produced for the public upon request, pursuant to any applicable redactions.

⁷ This is an internal DSLBD document concerning the policies and procedures for its grantmaking activities. It is not shared with external parties, but obviously, it could be obtained by them via a FOIA request.

OIG Comment: The OIG received a draft copy of the new Policy Manual in which such a clause was inserted. We look forward to receiving a final, implemented copy of the Policy Manual to close this and subsequent recommendations related to it.

DCMS' process for reporting expenditures for Main Street programs did not include sufficient internal controls and left the program vulnerable to fraud, waste, or abuse.

The Sourcebook requires every grantee to be “appropriately monitored” and for agencies distributing grants to establish a monitoring system that “ensures that all grantees perform in accordance with the terms, conditions, and specifications of their grants or subgrants.”³⁰ The monitoring system should be “designed to determine generally the grantee’s level of compliance with Federal and/or District requirements and identify specifically whether the grantee’s operational, financial and management systems and practices are adequate to account for program funds in accordance with Federal and/or District requirement.”³¹ Likewise, the Green Book indicates that adequate internal controls require organizations to “design control activities to achieve objectives and respond to risks.”³² Included among these “control activities” are “accurate and timely recording of transactions.”³³

Upon review, several aspects of DSLBD’s policies and procedures related to grantees reporting expenditures did not adequately respond to the risks involved in that process. As a result, DSLBD has not been adequately monitoring grantees’ compliance with requirements regarding accounting for funds spent.

Documentation of Expenditures

Currently, DCMS grants require grantees to:

submit legibly labeled receipts for goods and services paid for using DCMS Grant Funds via DC Main Streets’ Online Quickbase application. **Receipts are to include dated invoice from vendor, payment vouchers for goods and services, executed contract, bank or credit card statement, or copy of cleared check. Purchases made at stores (i.e., Walmart, CVS, Costco, Target) must be justified with itemized receipts** [*emphasis in original, underlining added*].³⁴

In the grants reviewed, grantees nearly always followed this policy and submitted a detailed invoice or a copy of a check or credit card statement, but rarely submitted both.

Categorization of Expenditures

Grantees are responsible for categorizing their expenses, but there are no clear guidelines about what expenses fit into each category. The grant agreement outlines the program budget and eligible costs, as shown in Appendix F, but DSLBD has allowed grantees to categorize expenses differently. For example, in FY 2019, one Main Street grantee classified its executive director’s salary for one quarter as a “programmatic expense”

³⁰ Sourcebook, *supra* note 6, § 11.1.

³¹ *Id.* § 11.2.

³² *Supra* note 4, Principle 10.01.

³³ *Id.* Principle 10.03 at 48.

³⁴ *Supra* note 13, Sec. (1)(III)(D)(1).

rather than an “administrative expense,” as it had in every other quarter and like every other Main Street grantee.

In other examples, Main Street grantees have classified “event insurance” as both programmatic expenses and as administrative expenses. Additionally, Main Streets have classified National Main Street dues and conference registration and associated costs under the following categories: “administrative,” “professional development/conference registration,” “travel,” “training and technical assistance,” and “programmatic.”

DSLBD has also occasionally allowed a DCMS grantee to neglect to categorize expenses altogether. For example, in FY 2020, a Main Street grantee left \$91,455.69 uncategorized, which was 57 percent of its total budget.

Timing of Expense Reporting

DSLBD has classified its DCMS programs into three tiers, nascent, developing, and mature, based on their age, compliance, and fundraising efforts.³⁵ The agency has required DCMS programs in the “nascent tier” to submit invoices monthly and programs in “developing” or “mature” tiers to submit them quarterly, *see* Appendix G. This practice has often translated into developing- or mature-Main Street grantees submitting large tranches of expenditure information at the end of the quarter or fiscal year and seeking quick approval so funds can be disbursed.

Expenditures from Organizations that Manage Multiple Main Street Programs

The team observed deficiencies with processes related to expenditures submitted by organizations that manage multiple Main Street programs. Specifically, DSLBD approved expenditures from a DCMS grantee when it submitted invoices from its parent organization, aggregating all its administrative costs.³⁶ The parent organization submitted these invoices in place of invoices from the vendor who supplied the service or goods. Additionally, DSLBD allowed organizations that manage multiple Main Street programs to submit their expenditures for all of their Main Street programs together in one submission. For the most part, the organizations indicated with which Main Street program the expenditure was associated. This practice still required DSLBD’s grant administrator to separate the costs manually in a spreadsheet outside of Quickbase.³⁷

³⁵ DSLBD puts Main Streets into the following “tiers”: “nascent,” “developing,” and “mature.”

- Nascent programs are new, usually less than three years old, and have raised less than \$20,000. Programs with a history of late reports may also be deemed “nascent.”
- Developing programs have existed for more than 3 years, submit reports on time, and raise more than \$20,000.
- Mature programs have existed for more than 4 years, submit reports on time, and raise more than \$40,000.

³⁶ Expenses are reviewed and approved either monthly or quarterly depending on the Main Street’s tier level. Expenses are due on or before the 10th of each month and are reviewed by the DSLBD staff assistant. The expenditure is approved, partially or fully, by DSLBD if the invoice and expense match.

³⁷ Quickbase is an online database and software platform to “streamline and simplify the reporting and grants management process.”

The causes of these deficiencies include inadequate requirements in the grant agreement, a lack of procedures standardizing expenditure reporting requirements, and an absence of regulations or policies governing grantees that manage multiple Main Street programs. Grantees did not violate grant requirements when they submitted their expenditures in this manner, but DSLBD should implement policies that would make the expenditure reporting process more standardized, efficient, and effective at identifying potential fraud or mismanagement.

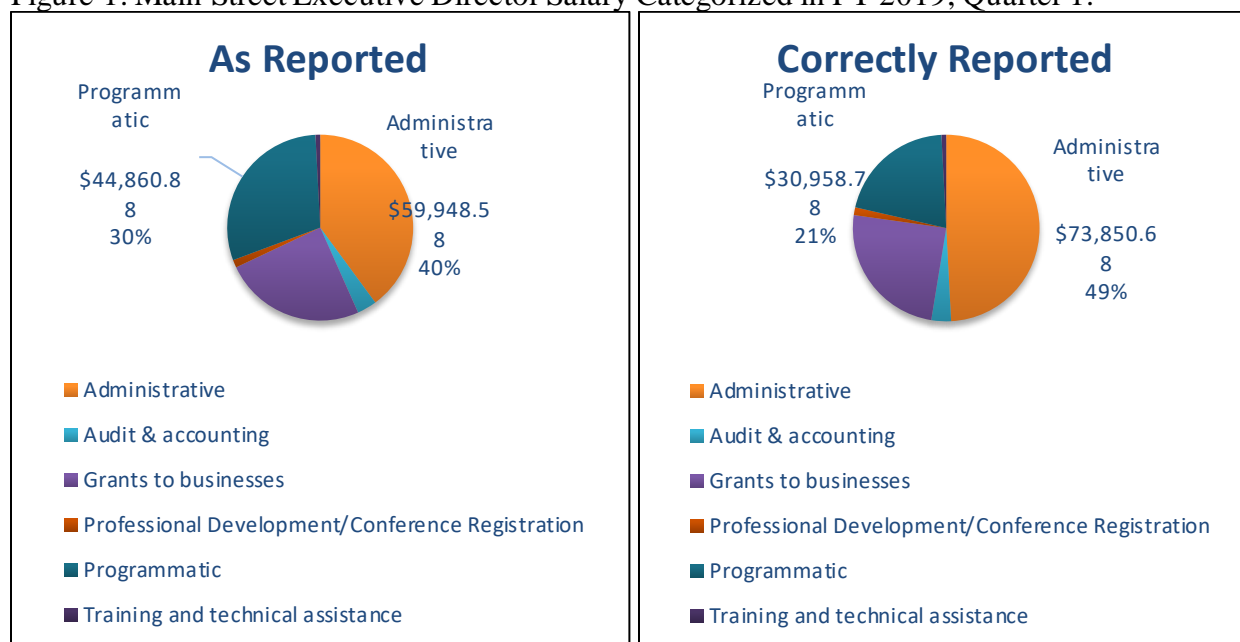
Interviewees indicated that DSLBD had not implemented more stringent internal controls largely due to the agency's reluctance to upset grantees. They indicated that grantees frequently complain about the expenditure reporting process being arduous and cumbersome. As a result, DSLBD feared losing grantees if they instituted stronger internal controls. The OIG understands the desire to avoid overburdening grantees, but that should not supersede the need for adequate internal controls. The grant funds should be contingent upon compliance with the most robust internal controls necessary.

There have been two primary effects of these deficient processes that ultimately prevent DSLBD from subjecting expenditures to sufficient scrutiny and leave the process more vulnerable to fraud, waste, or abuse.

First, DSLBD did not receive the necessary information to review and analyze the transactions. If DSLBD only received an invoice for a transaction without a credit card statement or cleared check, it could not confirm that the grantee spent the grant funds on the transaction or that the invoice accurately reflected the actual expenditure. When DSLBD only received proof of payment, it frequently lacked necessary details about the transaction, such as the goods purchased or services performed.

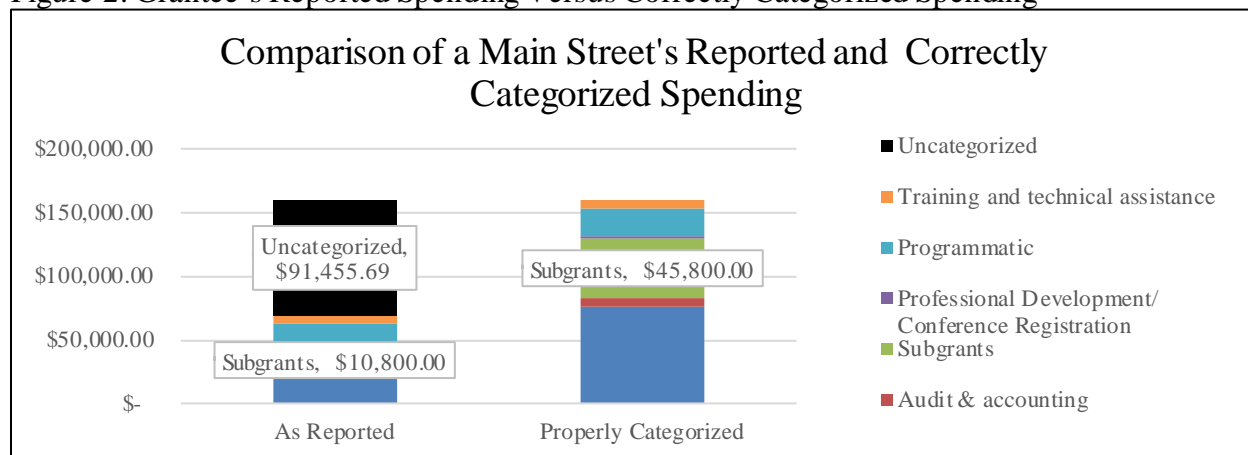
The discrepancies in Main Street grantees' categorized expenses could have hindered DSLBD's ability to analyze and compare Main Street grantees' allocation of grant funds. Figure 1 illustrates how, in FY 2019, Quarter 1, a Main Street grantee incorrectly categorized the executive director's salary and how categorizing a single transaction wrongly can affect the analysis of a Main Street grantee's spending.

Figure 1: Main Street Executive Director Salary Categorized in FY 2019, Quarter 1.



Uncategorized funds also significantly skew expenditure analysis. Figure 2 depicts a Main Street grantee’s spending in FY 2020, both as actually reported with a large portion of expenditures uncategorized and as the spending should have been reported based on the grant agreement budget categories.

Figure 2: Grantee’s Reported Spending Versus Correctly Categorized Spending



DSLBD’s expenditure policies and processes also reduced the efficiency of the approval process. Thus, grant administrators spent time addressing deficiencies that could have been better spent assessing the validity and accuracy of expenses. When adequate time is not spent reviewing expenditures, the likelihood of making errors and missing red flags increases.

To address these deficiencies, we recommend that DSLBD:

Recommendation 6: Implement procedures governing the expenditure and reimbursement process, including requiring both proof of payment and detailed invoices, and include these procedures in all new/renewed grant agreements.

DSLBD's Response to Recommendation 6:

Recommendation	Agree/Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
6. Implement procedures governing the expenditure and reimbursement process, including requiring both proof of payment and detailed invoices, and include these procedures in all new/renewed grant agreements.	Agree	The new Grants Policies and Procedures Manual went into effect on December 14, 2022, and the new grant agreement template governs FY23. Together they require, among other things, proof of payment and detailed invoices.	Completed	

DSLBD did not consistently verify goods purchased or services rendered.

As stated in the previous finding, the Sourcebook requires every grantee to be “appropriately monitored” and requires agencies distributing grants to “enact monitoring efforts that are designed to determine generally the grantee’s level of compliance with Federal and/or District requirements and identify specifically whether the grantee’s operational, financial and management systems and practices are adequate to account for program funds in accordance with Federal and/or District requirement.”³⁸

The Green Book specifies that, “[m]anagement may design various transaction control activities for operational processes, including verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.”³⁹ Additionally, the Green Book requires management to evaluate “information processing objectives to meet the defined information requirements. Information processing objectives may include ... [ensuring that] [r]ecorded transactions represent economic events that actually occurred and were executed according to prescribed procedures.”⁴⁰

DSLBD has assigned one employee to review expenditures submitted by all grantees. Although the employee occasionally rejected transactions or requested further clarification, DSLBD did not otherwise verify that those transactions represented events that have “actually occurred and were executed.”⁴¹ Through document review, the OIG observed occasions when a Main Street

³⁸ Sourcebook, *supra* note 6, § 11.2.

³⁹ *Supra* note 4, Principle 10.10.

⁴⁰ *Id.* Principle 11.05.

⁴¹ *Id.*

program claimed it purchased items and submitted invoices in Quickbase, but either did not purchase the items or did not use those items as intended.

In one instance, a Main Street program submitted invoices for \$10,500.32 and \$11,020.80 in successive years on the final day of the fiscal year (September 30, 2020, and September 30, 2021, respectively) for pole banners that would advertise the Main Street program. To verify these purchases, the OIG walked through the entire Main Street corridor in April 2022 and observed that the banners were not installed in any of the locations designed for them (See Appendix H for examples). DSLBD stated that it verbally confirmed with the vendor that the banners had been purchased despite not being installed.

In another instance, a Main Street program “inappropriately spent” over \$14,000. During the grant term, DSLBD was unaware of the malfeasance until the Main Street program notified DSLBD it had terminated its Executive Director. According to an internal close out memorandum dated two months after the misspending was discovered, “DSLBD was unaware of any malfeasance given that albeit late, [the Main Street program] submitted sufficient justification to demonstrate that they were spending grant funds in accordance with the grant agreement.”

Asking the DSLBD’s sole employee responsible for reviewing the transactions’ documents to verify actual purchases physically as well would be too burdensome given the employee’s other responsibilities. DSLBD has attempted to address its lack of monitoring personnel by focusing monitoring efforts on nascent Main Streets and Main Streets that are on Performance Improvement Plans.⁴² Consequently, DSLBD has allowed the other Main Streets to operate on somewhat of an honor system by trusting the Main Streets’ reports without verifying all the submitted expenditure documents. DSLBD has not taken other steps to ease the burden on its monitoring personnel, like making Main Street expenditures publicly reviewable so stakeholders in the community can alert them to any irregularities.

As a result of DSLBD’s failure to verify that transactions as documented actually occurred, DSLBD increased the possibility that the agency could approve falsified invoices. In addition to this potential fraud, DSLBD’s failure to verify expenditures also increases the risk of waste. When Main Street grantees purchase goods that go unused, taxpayer money is wasted without furthering the purpose of the Main Street Program — to revitalize a designated District Main Street corridor.

To remedy these deficiencies, we recommend that DSLBD:

Recommendation 7: Implement a procedure through which Main Street programs’ expenditure data are posted regularly on their websites subject to appropriate redactions, so constituents can review transactions and create a way for the public to notify DSLBD of questionable transactions.

⁴² The grant agreement states that a grantee will be placed on a performance improvement plan if it fails to spend the full grant award or meet the certified business enterprises (CBE) requirement.

DSLBD's Response to Recommendation 7:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
7. Implement a procedure through which Main Street Programs' expenditure data are posted regularly on their websites subject to appropriate redactions, so constituents can review transactions and create a way for the public to notify DSLBD of questionable transactions.	Agree in part	Annual Reports are required per the 2023 grant agreements and must be posted online.	Completed	<p>The Annual Report that D.C. Main Street Programs will publish (in March) requires them to include a summary of key indicators demonstrating progress towards strategic goals, grantee performance, and financial management (like its annual budget and expenditure data). This report has to be posted on the Programs' respective websites, pursuant to their respective grant agreements.</p> <p>Given the abundance of confidential trade secrets and volume of information (e.g., hundreds of transactions and supporting documents within a fiscal year), DSLBD does not believe it is appropriate for every transaction to be a part of the respective Annual Reports or posted on their websites. Moreover, if implemented,</p>
				DSLBD foresees being inundated constantly with questions, and responding to them all would add significantly to the Main Street staff's workloads. Further, the public currently may inquire and receive such reports through the FOIA process, so there is no efficiency in adding yet another process.

OIG Comment: The OIG understands DSLBD's reservations regarding this recommendation and suggests DSLBD consider a requirement that all expenses over a threshold it designates be included in annual reports (subject to appropriate redactions).

Recommendation 8: Establish a policy that caps the number of Main Street grantees for which a DSLBD grant administrator exercises oversight and assign additional FTEs the task of reviewing and verifying expenditures.

DSLBD's Response to Recommendation 8:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
8. Establish a policy that caps the number of Main Street grantees for which a DSLBD grant administrator exercises oversight and assign additional FTEs the task of reviewing and verifying expenditures.	Disagree	N/A	N/A	<p>The District has 28 Main Street Programs, the vast majority of which were historically created by the D.C. Council. In creating them, Council has not provided additional FTE monies for oversight. Presently, DSLBD has three FTEs who manage the D.C. Main Streets Program and another three who provide support. Two of the three supporting staff members started on January 30, 2023.</p> <p>Further, NMSC's relevant guidelines recommend that (1) there is one full-time staff person dedicated to coordinating the Main Street America Program and (2) at least one additional full-time employee for every 10 designated Programs, including new, mature, or affiliated Programs. DSLBD presently meets that standard. The Department, however, continues to evaluate its staffing needs and wants to maintain a robust and strong staff. Notwithstanding that, given current staff numbers and workloads, DSLBD cannot cap the number of D.C. Main Street grantees for each DSLBD administrator, as suggested by OIG.</p>

OIG Comment: The OIG stands by its recommendation but notes that it left the decision regarding the appropriate cap to DSLBD. Although the OIG understands that DSLBD has little control over the total number of granted FTEs, it reiterates its recommendation to assign existing FTEs to provide additional oversight.

DSLBD's monitoring of subgrants and technical assistance is insufficient.

The Sourcebook requires a grantmaking agency to “prescribe and implement ... subgranting procedures by written policy or, where applicable, formal rulemaking, to ensure fiscal

accountability and prevent waste, fraud, and abuse”⁴³ The Green Book also indicates that management should design “a process that uses the entity’s objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks.”⁴⁴

DSLBD did not properly define or collect sufficient information from grantees regarding subgrants or technical assistance (TA) to address the risks of the program, ensure fiscal accountability, and prevent potential fraud, waste, or abuse.

Main Street grant agreements require grantees to submit a “technical assistance report.”⁴⁵ DSLBD has provided grantees with a TA and subgrant template to use when submitting quarterly reports. Despite this, some grantees have omitted the requested details in the template or failed to submit the report. For example, one Main Street grantee did not submit the TA reports for some quarters, filled out other TA reports incompletely, and included sparse information for roughly half of the quarters on TA reports during FYs 2019, 2020, and 2021. During FY 2019, another Main Street grantee submitted a duplicate TA report for Quarters 3 and 4.

Likewise, Main Street grantees frequently did not submit sufficient information related to subgrants. Main Street grant agreements have delineated the minimum amount the DCMS grantee should allocate for subgrants in its budget but have not specified the detail required when reporting on those subgrants. Consequently, Main Street grantees submitted invoices for subgrants that state the funds were subgranted with minimal details as to how the subgrantee used those funds or whether those subgrant funds were used for “hard costs,” “soft costs,” or “direct reimbursement.”⁴⁶

DSLBD’s unclear policies and failure to enforce grant agreement requirements resulted in the lack of sufficient information in Main Street grantees’ submissions related to subgrants. Although grant agreements required DCMS programs to submit a TA report, neither the grant agreements nor the template defined the specific contents of such a report. Further, DSLBD approved incomplete TA reports.⁴⁷ Moreover, DSLBD lacked a policy that clarifies the level of detail grantees must provide regarding subgrants, and, in practice, approved subgrant invoices without detailed information included. DSLBD indicated that it made grantees responsible for

⁴³ Sourcebook, *supra* note 6, § 11.1.

⁴⁴ *Supra* note 4, Principle 13.02.

⁴⁵ See., e.g., D.C. DEP’T OF SMALL AND LOCAL BUS. DEV. AND CONGRESS HEIGHTS COMMUNITY TRAINING AND DEV. CORPORATION, FY 2021 DC Main Streets Grant Agreement, Sec. (1)(V)(B)(17) (Sept. 4, 2020).

⁴⁶ The DCMS grant agreements reviewed stated that “sub-grants can include **hard costs** (e.g., Program space build-out and renovations; façade improvements; and purchase and installation of heavy equipment and fixtures permanently attached to a wall, floor, or ceiling), **soft costs** (e.g., point-of-sale and inventory management hardware and software; and purchase and installation of movable equipment and furniture), and **direct reimbursement** to business owners for rent, utilities, employee wages and interior and exterior renovations.” D.C. DEP’T OF SMALL AND LOCAL BUS. DEV. AND COLUMBIA HEIGHTS DAY INITIATIVE, ET. AL., FY 2022 DC MAIN STREETS GRANT AGREEMENT, Sec. (1)(IV)(B)(4)(a)(i) (Sept. 24, 2021).

⁴⁷ Some of the TA reports defined eligible activity as “any business support activities that improve the overall economic viability of the commercial corridor. The assistance provided can include but is not limited to micro-loan packaging, business planning, entrepreneurial training, one-on-one business technical assistance, tax preparation assistance, accounting assistance, legal assistance, marketing or advertising assistance, or direct grants assistance.”

collecting documentation related to subgrants; however, DSLBD did not consistently monitor whether grantees collected the information.

DSLBD left the DCMS Program vulnerable to potential fraud given its failure to collect details regarding subgrantees' fund expenditures and monitor technical assistance grantees provided to subgrantees. Although the OIG did not observe instances of potential fraud related to subgrants or TA, it is plausible to believe a bad actor could perpetrate fraud — providing subgrant funds to a business as a gift or bribe, or receiving a kickback after awarding a subgrant. Without better internal controls related to DCMS subgrant funds, DSLBD cannot be confident that businesses used subgrant funds for appropriate purposes and approved activities or whether DCMS grantees provided technical assistance to subgrantees.

To remedy these deficiencies and reduce program risk, we recommend that DSLBD:

Recommendation 9: Include a requirement in grant agreements that grantees complete a technical assistance report and define the details for these submissions.

DSLBD's Response to Recommendation 9:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
9. Include a requirement in grant agreements that grantees complete a technical assistance	Agree	The new Grants Policies and Procedures Manual went into effect on December 14, 2022, and	Completed	
report and define the details for these submissions.		the new grant agreement template governs FY23. Together they require detailed information in the Technical Assistance Report.		

Recommendation 10: Establish procedures to: (a) monitor subgrants, including a requirement that grantees submit invoices, checks, and documentation of subgrant fund expenditures, and (b) periodically verify that subgrantees received subgrants.

DSLBD's Response to Recommendation 10:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
10. Establish procedures to (a) monitor subgrants, including a requirement that grantees submit invoices, checks, and documentation of subgrant fund expenditures, and (b) periodically verify that subgrantees received subgrants.	Agree	Under consideration, as DSLBD determines how to implement this for subgrantees into the new Grants Policies and Procedures Manual.	CY23	

Some Main Street programs failed to submit required biannual audits to DSLBD; others audited their entire organizations instead of the specific Main Street program.

The DCMS grant agreements stipulate that grantees must submit a certified biannual audit. The Sourcebook also states, “[a]ll entities that receive a grant or subgrant should expect to be audited in connection with the close-out of that grant.”⁴⁸

At least two DCMS grantees’ file documents did not contain the required audits. The OIG observed that one of these DCMS programs did not submit an audit report to DSLBD in FYs 2016, 2017, 2018, or 2019.⁴⁹ In 2020, that DCMS grantee submitted an audit report for the organization’s financial position in FY 2017. In another example, a DCMS grantee submitted an audit report in 2016 covering its financial position in FY 2014 but did not submit another audit report until 2020 covering its financial position in FY 2018.

The OIG was unable to determine why the DCMS Program failed to submit a biannual audit. DSLBD continued to award the grant and disburse funds to the Main Street program, despite a lack of compliance with biannual audit requirements. DSLBD’s inaction on biannual audit enforcement encourages continued noncompliance.

In cases where an entity managed multiple DCMS programs, the OIG found that audit submissions focused on the entire parent organization instead of individual Main Street programs. These Main Street programs may have done so, in part, because the grant agreement language regarding whom should be audited changed between FYs 2020 and 2022; specifically from requiring an audit of a “Main Streets Organization” to requiring an audit of a “Grantee and its DCMS Programs” to requiring an audit of a “Grantee.” Inconsistent grant agreement language may have caused grantees’ confusion about which entity should have been audited.

⁴⁸ Sourcebook, *supra* note 6, § 11.5.

⁴⁹ In 2017 and 2018, the organization submitted audit agreements but did not submit an audit report.

Additionally, there was nothing cited or written in the grant agreements that specifically defined how entities that manage multiple DCMS programs should have audited their organizations.

DCMS programs' failure to submit a biannual audit hindered DSLBD's ability to ensure proper accounting and violated the grant agreement terms and conditions. Additionally, DCMS Programs' biannual audit submission for the entire organization rather than an individual Main Street program may have prevented DSLBD from evaluating whether the individual DCMS Program expended the funds consistent with the terms and conditions of the grant.

To clarify and implement biannual audit requirements, we recommend that DSLBD:

Recommendation 11: Develop a process to ensure enforcement of the biannual audit requirement by requiring a third-party review of these audits and tie fund disbursements to their completion.

DSLBD's Response to Recommendation 11:

Recommendation	Agree/Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
11. Develop a process to ensure enforcement of the biannual audit requirement by requiring a third-party review of these audits and tie fund disbursements to their completion.	Agree in part	The new Grants Policies and Procedures Manual went into effect on December 14, 2022, and the new grant agreement template governs FY23. The audit is an annual requirement that is due in June.	Completed	<p>The question appears to be based on OIG's misunderstanding that the former "biannual audit" was a twice-a-year audit. It was a two-year audit.⁸ Doing this twice a year would be problematic as that would not represent a natural point to reconcile the records. In addition, this would be extraordinarily burdensome in cost and tasks for grantees, given the amount of grant funds allocated and the amount of time required (usually several months) to conduct an audit.</p> <p>Moreover, at present, DSLBD appears to be exceeding federal standards whereby a non-federal entity that expends \$750,000 or more during its fiscal year in federal awards must have a single or program-specific audit conducted for that year, pursuant to 2 C.F.R. § 200.501.⁹</p>

⁸ Previous grant agreements used "biannual" to mean "biennial," i.e., every other year. The FY23 grant agreements require audits annually.

⁹ <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F>.

OIG Comment: As DSLBD notes in footnote 8 of its response above, "previous grants agreements used 'biannual' to mean 'biennial,' i.e., every other year." The OIG understood the intent of the language (that audits be conducted every other year) and acknowledges the new requirement included in the Manual that went into effect in December 2022.

Recommendation 12: Require grantees to post biannual audits on the Main Street programs' website.

DSLBD's Response to Recommendation 12:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
12. Require grantees to post biannual audits on the Main Street program's website.	Disagree	N/A	N/A	The Audit concerns the grant organization, and there is significant confidential and trade secret information (e.g., finances, weaknesses of the organization, and targeted areas of improvement) with this task. Such a requirement could be fundamentally misused and misunderstood if obtained by the public. Further, the Annual Report is available on the Program's websites, which allows for sufficient transparency. To be clear, the Annual Report is specific to Main Streets, whereas the Audit concerns the greater grant organization (with parts highlighting Main Street activity). Moreover, the public can request specific documents via FOIA after reviewing the publicly available Annual Report.

Recommendation 13: Develop a policy to clarify audit requirements for organizations that manage multiple Main Street programs.

DSLBD's Response to Recommendation 13:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
13. Develop a policy to clarify audit requirements for organizations that manage multiple Main Street Programs.	Agree	The new Grants Policies and Procedures Manual went into effect on December 14, 2022, and the new grant agreement template governs FY23. Together they require detailed Audit information. The Department is reviewing the language to determine if anything extra is needed in the Audit from the organizations managing more than one Main Street.	CY23	The grant agreement requires that the Audit contain an Independent Financial Statement Report prepared by an independent accountant, including (1) the grantee's fiscal year income statement; (2) the grantee's balance sheet; (3) the grantee's reconciliation of cash balances; and (4) an independent review of grantee's internal controls which cover the prevention of waste, misuse, misappropriations, and fraud; compliance with applicable laws, regulations, contracts, and policies and procedures; and ensuring or encouraging management efficiency.

Closeout letters focused on grantees' compliance with reporting requirements (sometimes inaccurately) rather than grantees' progress toward the Main Street program's goal.

The Green Book states, "[m]anagement should use quality information to achieve the entity's objective;"⁵⁰ quality information must be "complete, accurate ... and provided on a timely basis."⁵¹ The Green Book further explains that quality information should be used to "make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks."⁵² The NMSC agreement with DSLBD states that the program's goal is to support commercial district revitalization by building stronger communities through preservation-based economic development and economic, social, and physical improvements.

According to the standard language used in the closeout letters it sent to grantees, DSLBD assessed the success of Main Streets using quarterly reports, closeout reports, expense report reconciliations, and other documents.⁵³ The letters measured success, however, primarily based on whether grantees have submitted various reports on time rather than whether a DCMS Program achieved its stated goal of "building stronger communities through preservation based on economic, social, and physical improvements." The deliverables DSLBD assigned to Main Street programs in the letters were related to the program budget categories in the grant

⁵⁰ *Id.* Appendix I, Requirement 13.

⁵¹ *Id.* Principle 13.05 at 60.

⁵² *Id.*

⁵³ The Sourcebook, *supra* note 6, defines closeout as the "[p]rocess by which the awarding agency determines that all applicable administrative actions and all required work of the award have been completed by the recipient"

agreements and amendments. The letters indicated whether a Main Street grantee submitted these deliverables but do not describe how or whether the grantee met the deliverables.

The deficiencies related to the closeout letters stemmed from the lack of clear and measurable metrics with which DSLBD could determine the overall success of a DCMS Program. Each of the 28 DCMS Programs' levels of success varied based on the community it serves and the challenges it faced. The closeout letter indicated whether the grantee had completed the established DCMS Program goals, but the performance data supporting that determination was not included in the closeout letter. DSLBD closeout letters provide little insight into a DCMS Program's outcomes, accomplishments, community impact, or challenges it faced during the fiscal year.

The OIG also observed that some closeout letters contained inaccurate information or contradictions. For example, an FY 2021 closeout letter stated the “[g]rantee fully met its reporting requirements. Note adherence to submission deadlines below,”⁵⁴ even though the letter reported that the DCMS grantee had not submitted 9 of the 12 monthly expense reports and that Quarter 1 and Quarter 3 reports were submitted late.⁵⁵

An FY 2019 closeout letter reported that a DCMS had met all reporting requirements and submitted all quarterly reports on time. However, the OIG observed in Quickbase that the DCMS did not submit reports for Quarters 1 and 2 and submitted the Quarter 4 report late.⁵⁶ Additionally, the closeout letter stated the Main Street had “fully met its reporting requirements,” but the DCMS had not fulfilled the grant requirement of submitting board meeting minutes for FYs 2019 and 2020.

In another example, the amount listed under the funds transferred to the grantee in the closeout letter differed from the amount listed as the approved funds in Quickbase. Specifically, a closeout letter stated that a DCMS had received \$2,000 more than the amount approved in Quickbase.

The incorrect information in various closeout letters seemed to be caused by human error, and DSLBD not enforcing requirements in the grant agreement. DSLBD had a procedure to review closeout reports but approved the letters despite their inaccuracies.

The result of the deficiencies related to the composition of the closeout letter and completion of the closeout letters was that the purpose of the letter – to help determine whether a DCMS is successful – could not be measured accurately. Letters that contained accurate information

⁵⁴ Letter from Kristi C. Whitfield, Director, D.C. Department of Small and Local Business Development to Monica Ray, Executive Director, Congress Heights Community Training and Development Corporation (Dec. 15, 2021) (on file with the OIG).

⁵⁵ The Quarter 1 report was due on January 10, 2021; the DCMS grantee submitted the report to Quickbase on January 27, 2021. The Quarter 3 report was due on July 10, 2021; the DCMS grantee submitted the report to Quickbase on October 12, 2021.

⁵⁶ The Quarter 1 and Quarter 2 data were entered into Quickbase, but the grantee did not “submit” the information, and DSLBD never reviewed the reports. The Quarter 4 report was due on October 20, 2019; the DCMS grantee submitted the report to Quickbase on October 23, 2019.

merely established compliance with the grant but did not measure the program's success. Inaccurate letters obscured whether grantees had completed all required work.

Therefore, we recommend that DSLBD:

Recommendation 14: Improve the format and content of its grant closeout letters to better measure and communicate the program's purpose and a grantee's achievements.

DSLBD's Response to Recommendation 14:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
14. Improve the format and content of its grant closeout letters to better measure and communicate the Programs purpose and a grantee's achievements.	Agree	The new closeout template was created and implemented as of January 2023.	Completed	

Recommendation 15: Make quarterly reports and closeout letters publicly available and design a process where the public can submit comments to DSLBD.

DSLBD's Response to Recommendation 15:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
15. Make quarterly reports and closeout letters publicly available and design a process where the public can submit comments to DSLBD.	Agree in part	N/A	N/A	The public is able to contact DSLBD with questions or comments. The public can also comment in D.C. Main Street public board meetings when they are not closed for executive sessions. DSLBD does not oppose requiring D.C. Main Streets to post upcoming public meetings as notice. However, a public comment process takes significant time and arguably has limited value, given the general public's lack of familiarity with the nuances of the many different D.C. Main Streets Programs and their respective work. Again, the quarterly reports and closeout letters are publicly available through the FOIA process.

OIG Comment: The intent of the OIG's recommendation was not to require DSLBD to receive formal public comments but rather provide something similar to a "hotline" email to which the public can request explanations from DSLBD, report potentially troublesome developments, and ask questions. The OIG reiterates this recommendation. In the interest of transparency, the OIG recommends that DSLBD make quarterly reports and closeout letters available and posted in a forum that all stakeholders can access, even those stakeholders who are unfamiliar with the FOIA process.

Quickbase has not stored historical data.

The Green Book states that, "[m]anagement designs the entity's information system to obtain and process information to meet each operational process's information requirements and to respond to the entity's objectives and risks."⁵⁷ An information system facilitates the entity's ability to "obtain, store, and process quality information."⁵⁸ The Main Street program must

⁵⁷ *Id.* Principle 11.03.

⁵⁸ *Id.* at 52.

maintain grant case files per the D.C. Office of the Secretary, General Records Retention Schedule.⁵⁹

Quickbase,⁶⁰ the database management system that DSLBD and DCMS grantees utilized, has not maintained an audit trail memorializing changes made to its files. For example, in a grant's Quickbase file, some grant review panelists had not signed their attestations during the application scoring process.⁶¹ When asked about these unsigned attestations, DSLBD explained they were previously a part of a separate document and that DSLBD had later added an attestation section in Quickbase. When this addition occurred, Quickbase retroactively changed all previous applications to include this section but did not store the previous documents, making it look like previous reviewers had simply not signed the attestations. Another example of Quickbase not preserving historical data occurred when a Main Street grantee hired a new executive director or board member. When the grantee entered the change into Quickbase, the system removed the previous individual and did not save a history of the change. Consequently, in Quickbase it appeared as if the new hire had been in the position since the inception of the Main Street program.

Quickbase has not stored historical data because it lacked that functionality as of the end of our fieldwork. Quickbase was initially developed as a rapid database solution. Since its implementation, DSLBD has continued to expand Quickbase's operations. This expansion, however, has not included the ability to store historical data or create an audit trail.

The lack of an audit trail that details changes or stores the information somewhere in Quickbase could lead to bad actors concealing grant mismanagement. Specifically, it could hinder DSLBD from re-creating transactions, which could uncover or explain mismanagement.

DSLBD is in the process of converting from Quickbase to the Development Enterprise System. DSLBD anticipates the new system will add uniformity to the DCMS grant process and streamline data submission.

Therefore, to correct this deficiency, we recommend that DSLBD:

Recommendation 16: Design the new information system in a way that saves an audit trail and retains historical information following the D.C. government document retention policy.

DSLBD's Response to Recommendation 16:

⁵⁹ According to the Records Retention Schedule, grant case file records for "[p]roposals or applications ... project reports ... agreement memoranda, correspondence, and other records relating to receipt, review, award, evaluation, status and monitoring of grants; allocation of funds, and project budgets," must submit a request for disposition authority to D.C. Archives. Grant files for rejected applications must be maintained for 5 years before disposal. [District of Columbia General Records Schedule 3, Item 15 \(Dec. 29, 2011\)](#).

⁶⁰ Quickbase is a database management system utilized by DSLBD and DCMS grantees to "simplify the reporting and grants management process."

⁶¹ The grant review panelist attestation is a required conflict of interest section of the evaluation to maintain the integrity of the review panel process.

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
16. Design the new information system in a way that saves an audit trail and retains historical information following the D.C. Government document retention policy.	Agree	In process	CY24	Aspects of this work are being integrated into the new DES; however, this proposed timeframe is based in part on continued funding for DES.

DSLBD has not regularly re-competed DCMS grants.

The Sourcebook specifies grant funds that are awarded from grant competition must be competed “each successive grant term”⁶² unless “[t]he funds are awarded as part of an extension of the original grant; [t]he Agency has unobligated funds from the original grant that it wishes to give to the original grantee(s); [t]he terms of the grant allow the Agency to add or modify grant awards; or [t]he original award document specifically allows otherwise.”⁶³

DCMS grants have not met any of the exceptions outlined above, and yet DSLBD continuously awarded grants to Main Street grantees without re-competing the award. Since Calendar Year (CY) 2004, DSLBD has removed 11 grantees from DCMS grants, for various reasons, including not fulfilling essential criteria, failing to meet reporting requirements, using funds for unauthorized expenses, failing to hire an executive director, requesting to withdraw from DCMS, and having its Board vote to dissolve. On every other occasion, DLSBD renewed grants to DCMS grantees without requiring them to re-compete for the grant.

According to DSLBD interviewees, DSLBD has not required re-competition of DCMS grants each successive grant term out of consideration for the time it takes a DCMS grantee to become operational and see results. Re-competing the grant annually would interrupt this process and could limit the effectiveness of the DCMS organization.

DSLBD’s failure to re-compete the grants has prevented other organizations from offering alternatives to the current grant administration and thus hindered DSLBD’s ability to evaluate whether the current DCMS grantee was the best organization for the grant award and corridor. DSLBD’s failure to re-compete the grants also may have caused established grantees to feel entitled to the funds, a result that concerned DSLBD interviewees. Re-competing the grant regularly, on the other hand, may have encouraged grantees to fulfill grant requirements knowing that they would have been formally evaluated and stood to lose the grant to other organizations if they did not. DSLBD employees proposed that it would be feasible to re-compete the grants every 3 to 5 years.

⁶² Sourcebook, *supra* note 6, § 6.0.

⁶³ *Id.* §§ 6.0(a)-(d) at 11.

To remedy this issue, taking into consideration that it takes time for a DCMS grantee to become operational and be effective, we recommend that DSLBD:

Recommendation 17: Implement a policy to re-compete grants at the defined interval DSLBD determines most appropriate, but not to exceed every 5 years.

DSLBD's Response to Recommendation 17:

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
17. Implement a policy to re-compete grants at the defined interval DSLBD determines most appropriate, but not to exceed every five years.	Agree	In process	CY23	

ADDITIONAL OBSERVATIONS

In addition to our findings and recommendations, the OIG made three additional observations that we believe require attention. These areas lack traditional evaluation criteria to measure performance and will not include recommendations. In our professional opinion, these observations were important enough to warrant inclusion in this report and we encourage DSLBD and other relevant parties to review, discuss, and address the issues in a manner deemed appropriate.

Equity in Main Street Locations

DSLBD does not establish where Main Street corridors exist; the D.C. Council makes those decisions and funds accordingly. Nonetheless, the OIG team wanted to highlight how much more prevalent Main Street corridors are in some sectors of the city.⁶⁴ Table 1 on the following page illustrates that, by the conclusion of our fieldwork, Main Streets were far more prevalent in Ward 3 than in any other Ward in the District. Ward 3 contained seven Main Streets, nearly twice as many as the next highest Ward, and seven times as many Main Streets as Ward 8, which contained only one.⁶⁵

⁶⁴ For a map containing the approximate Main Street locations overlaid by Ward markers, see Appendix I.

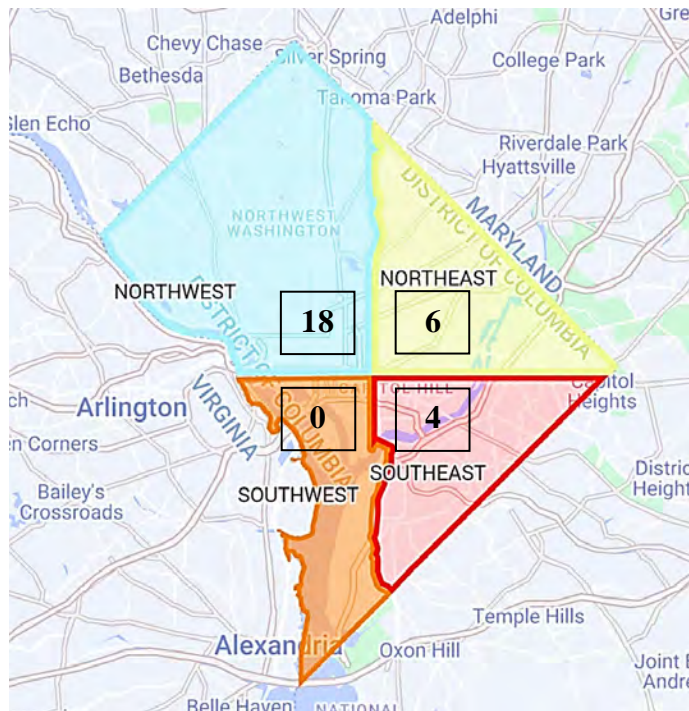
⁶⁵ If a Main Street stretched across Wards, the team approximated the fraction of the Main Street in each Ward.

Table 1: Number of D.C. Main Streets by Ward

Ward	# of DCMS
Ward 1	3.5
Ward 2	3.5
Ward 3	7
Ward 4	3.5
Ward 5	3.83
Ward 6	2.33
Ward 7	3.33
Ward 8	1

The distribution of Main Street corridors by quadrant was even more imbalanced than Ward distribution, as illustrated by Figure 3 below. The Northwestern quadrant of the District contained 18 of the 28 Main Street corridors, the Northeastern quadrant had 6, the Southeastern quadrant had 4, and the Southwestern quadrant did not have any.

Figure 3: DCMS Distribution by Quadrant.



The purpose of the Main Streets program is to “revitalize” a neighborhood. Given that purpose, the D.C. Council may want to review distribution of the Main Street Program throughout the various wards.

DSLBD's Response to Observation 1:

Observation	DSLBD Response
1. Equity in Main Street Locations: Main Street Programs are prevalent in some sectors of the District (e.g., Ward 3 containing 7 of 28, which is twice as many as the next Ward). By quadrant, there are 18 in Northwest, 6 in Northeast, 4 in Southeast, and 0 in Southwest.	As noted, the D.C. Council makes decisions about the creation of D.C. Main Street Programs, including the geographic boundaries, allocation of total funds for the grants, and allocation of funds for additional DSLBD staff (which it has not done).

Disparity of Funds per Business

DSLBD allocated each Main Street program the same grant funds per year. DSLBD awarded Main Street programs \$175,080 in their first year and \$150,080 in each subsequent year. The grant agreement program budget specifically noted the minimum aggregate amount grantees should have allocated to businesses, the same amount for every Main Street program. Main Street grantees could have requested additional funds for specific events like the Art All Night Event and could have also fundraised to supplement their budgets. Otherwise, grant funding has remained static regardless of a Main Street program's size geographically or the number of businesses a Main Street program aimed to serve.

Main Street corridors varied significantly in size, the smallest covering a few blocks and the largest stretching almost across an entire quadrant of the District (See Appendix I for the approximate size of each Main Street corridor). The number of businesses Main Street corridors serve varied significantly as well. According to data that Main Street grantees submitted to DSLBD in quarterly reports, as of the end of Quarter 4 in FY 2021, one Main Street corridor served as many as 369 commercial spaces, while another served 68 commercial spaces, yet initial funding is identical.

Because DSLBD has awarded identical amounts of money to Main Street programs that are dramatically different in size, the likelihood that a business received financial support or the portion of a grant another business may receive has not been equitable. Specifically, a business in a Main Street program that served fewer businesses, on the whole, has been more likely to receive direct financial support as it has competed with fewer businesses. If a Main Street program serving a large number of businesses tried to ameliorate this disparity by awarding more subgrants and reaching a similar percentage of businesses, the amount of the subgrant would have to be less than what was given to businesses in smaller Main Street programs.

DSLBD's Response to Observation 2:

Observation	DSLBD Response
2. Disparity of Funds Per Business: grant funding has mainly remained static regardless of a Program's size geographically or the number of businesses a program aimed to serve. The Programs' sizes and the number of businesses varied significantly.	The D.C. Council allocates the total funds for the D.C. Main Street Programs' grants. DSLBD is considering the impact of changing how those monies are used for each D.C. Main Street.

Losing the Hyperlocal Aspect of Main Streets

According to DSLBD, the NMSC program model emphasizes a “hyperlocal” approach to sustainable preservation and revitalization. Hyperlocal refers to geographically-focused support offered by Main Street Programs and describes a well-defined geographic area smaller than what would typically be considered “local.” The grant agreements allocated approximately half of the Main Street program’s grant funds (\$75,040) for an executive director’s salary. DSLBD has justified the high percentage of the grant award by citing this hyperlocal approach and the advantages of having someone who knows the neighborhood, its businesses, and their proprietors administering the funds.

The number of grantees that manage multiple Main Street programs has grown. At the end of our fieldwork, half of the 28 Main Street programs were administered by grantees that received more than one Main Street grant. This consolidation may cause the Main Street program to lose its hyperlocal emphasis. Some organizations that manage multiple Main Street programs did not have offices within each Main Street corridor and some did not have a physical office. Furthermore, DSLBD could not measure how much time the program administrator spent in the corridor. Lacking a physical presence in the corridor could make the organization more detached from the issues in the corridor. It could have hindered the corridor’s residents’ and business owners’ ability to access program administrators.

Consolidation has some advantages, including consolidating some administrative expenses. The OIG team wonders whether, absent the advantages that the hyperlocal approach of the Main Street program brings, businesses in the corridor may be better served to receive all grant funds directly, rather than 50 percent of the grant being spent on an executive director who is not intimately familiar with the people who own and work in businesses located in their corridor and the issues of greatest concern to them.

DSLBD’s Response to Observation 3:

Observation	DSLBD Response
<p>3. Losing the hyperlocal Aspect of Main Streets: The purpose of the Program is to emphasize a hyperlocal approach to sustainable preservation and revitalization. Half of the grant funds are for an executive director's salary, which DSLBD has justified by citing this hyperlocal approach and the advantages of having someone who knows the neighborhood, including its businesses and proprietors. The number of grantees managing multiple Programs has grown (now to half). Such consolidation may cause the Programs to lose the hyperlocal emphasis. For example, some organizations managing multiple Programs did not have offices within each Main Street corridor. The OIG wonders whether businesses in the corridor may be better served to receive all grant funds directly rather than 50% of the grant being spent on an executive director who is not intimately familiar with the proprietors and businesses in the respective corridors.</p>	<p>OIG raises some valid points. DSLBD does emphasize the hyperlocal nature of the Program and believes it is essential. This, of course, is a tenet of the National Main Street Center. The Department is evaluating the nature of consolidation and how that impacts the hyperlocal aspects of the model.</p>

CONCLUSION

According to DSLBD, the DCMS Program has invested over \$350 million in public improvements throughout the District since its creation. The program's flexibility and hyperlocal goals have allowed it to serve different business corridors' unique challenges and needs. Still, these same traits have also increased the risk of fraud, waste, abuse, or mismanagement. The myriad of ways to revitalize a neighborhood and the freedom that grantees have to determine the best course of action, coupled with less rigid rules *could* lead to bad actors employing a variety of fraudulent schemes. Because DSLBD has not re-competed the grants on a set schedule, these schemes could continue undetected. Consequently, unlike some grant programs with more defined policies and procedures regarding how grantees can spend grant funds, the DCMS Program requires heightened vigilance and more robust internal controls.

In addition to this report's actionable recommendations, we posit that increased transparency would bolster existing internal controls and recommend that DSLBD consider it. Although privacy concerns will prevent complete disclosure, the more data related to DCMS that DSLBD can make available for public scrutiny, the stronger its controls against fraud, waste, abuse, or mismanagement become. This "crowdsourcing" of oversight could help the agency enact heightened controls, reduce the burden on DSLBD's staff, and help deter fraudulent behavior.

Appendix A. Objectives, Scope, and Methodology

Objective

The objectives of this evaluation were to review:

- (1) DSLBD's administration of the Main Streets program's grant application and award processes;
- (2) selected Main Streets grantees' compliance with grant agreement requirements; and
- (3) DSLBD's oversight of awarded grants, to determine whether there are any opportunities for improvement that could reduce the potential for fraud, waste, and abuse within the Main Streets program.

Scope

The scope of this evaluation included all 28 active Main Streets, concentrating on six Main Streets. It included grant documents from FY 2016 but concentrated on expenses in FY 2021, RFAs from FY 2016 to the present, and grant agreements from FY 2019 to the present.

Methodology

During the evaluation, the OIG:

- researched D.C. Code and Regulations and the Sourcebook;
- reviewed news articles;
- watched D.C. Council hearings;
- reviewed grant applications, grant agreements, and various grant reports;
- obtained access to Quickbase and reviewed years of expense data and other reports grantees submitted; and
- visited a DCMS corridor and spoke with subgrant recipients.

Appendix B. Acronyms and Abbreviations

CY	Calendar Year
DCMS	D.C. Main Street
DSLBD	Department of Small and Local Business Development
FTE	Full-time Equivalent
FY	Fiscal Year
GAO	U.S. Government Accountability Office
Green Book	GAO Standards for Internal Control in the Federal Government
NMSC	National Main Street Center, Inc.
OIG	D.C. Office of the Inspector General
RFA	Request for Application
TA	Technical Assistance

Appendix C. Table of Recommendations

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
DSLBD	1. Work with the D.C. Council to enact a governing statute that authorizes rulemaking authority and then draft regulations to submit to the D.C. Council for approval.		Agree
	2. Implement a policy requiring DCMS Boards and DSLBD employees who interact with DCMS to complete fraud prevention training.		Agree
	3. Establish a formal process to periodically review RFAs and the standards for selecting grantees and commit to only modifying that process within the established timeframe.		Agree
	4. Establish a document retention policy that complies with the requirements of the Office of Public Records.		Agree
	5. Include a requirement in agency regulations that written justifications for grant decisions be included in grant files and preserved for independent review for a period specified in the document retention policy.		Agree in part
	6. Implement procedures governing the expenditure and reimbursement process, including requiring both proof of payment and detailed invoices, and include these procedures in all new/renewed grant agreements.		Agree
	7. Implement a procedure through which Main Street programs' expenditure data are posted regularly on their		Agree in part

	websites subject to appropriate redactions, so constituents can review transactions and create a way for the public to notify DSLBD of questionable transactions.		
	8. Establish a policy that caps the number of Main Street grantees for which a DSLBD grant administrator exercises oversight and assign additional FTEs the task of reviewing and verifying expenditures.		Disagree
	9. Include a requirement in grant agreements that grantees complete a technical assistance report and define the details for these submissions.		Agree
	10. Establish procedures to (a) monitor subgrants, including a requirement that grantees submit invoices, checks, and documentation of subgrant fund expenditures, and (b) periodically verify that subgrantees received subgrants.		Agree
	11. Develop a process to ensure enforcement of the biannual audit requirement by requiring a third-party review of these audits and tie fund disbursements to their completion.		Agree in part
	12. Require grantees to post biannual audits on the Main Street programs' website.		Disagree
	13. Develop a policy to clarify audit requirements for organizations that manage multiple Main Street programs.		Agree
	14. Improve the format and content of its grant closeout letters to better measure and communicate the program's		Agree

	purpose and a grantee's achievements.		
	15. Make quarterly reports and closeout letters publicly available and design a process where the public can submit comments to DSLBD.		Agree in part
	16. Design the new information system in a way that saves an audit trail and retains historical information following the D.C. government document retention policy.		Agree
	17. Implement a policy to re-compete grants at the defined interval DSLBD determines most appropriate, but not to exceed every 5 years.		Agree

Appendix D. DCMS RFA 1



DC MAIN STREETS PROGRAM 2022

Request for Applications (RFA)

The District of Columbia ("DC" or "District") Department of Small and Local Business Development (DSLBD) is soliciting applications from eligible applicants for designation as, and operation and management of, a FY 2022 (October 1, 2021 through September 31, 2022) DC Main Street (DCMS) program ("Program") for the commercial districts detailed below. DSLBD published the initial Notice of Funding Availability (NOFA) in the August 2, 2021 edition of the DC Register (www.dcregs.dc.gov) The NOFA is also available at <http://dslbd.dc.gov/service/current-solicitations-opportunities>.

DSLBD intends to make Main Streets designations of three commercial districts and to award three grants, one for each of the designated districts. DSLBD intends to fund **two grants in the amount of \$175,000 each for the Palisades and Petworth service areas**, respectively; and **one grant in the amount of \$150,080 for the Woodley Park service area** ("Grant Awards").

This RFA contains the following:

- I. Purpose of Grant
- II. Designated Commercial Districts
- III. Eligibility Requirements and Checklist
- IV. Grant Competition Timeline
- V. Grant Information w/ Budget Guidelines
- VI. How to Apply
- VII. Application Scoring
- VIII. Reservations

Applicants should review the entire contents of this RFA closely before submitting an application.

I. Purpose of Grant

DCMS is a program established by the District to stimulate the economic revitalization of declining commercial districts through application of the Main Street Approach®. The National Main Street Center has licensed DCMS within the District of Columbia.

The DC Main Streets Grant Awards provide funds to organizations to develop programs and services to (1) assist business districts with the retention, expansion, and attraction of neighborhood-serving retail stores; and (2) unify and strengthen the commercial corridor.

DSLBD will designate one program per the selected neighborhoods, adding three more designations. The grant is renewable. It will be awarded every year in which the designated program continues to meet all performance standards established by DC Main Streets and in which the District allocates funding.

II. Designated Commercial Districts

The following geographic descriptions are the suggested district areas. If applicants would like to propose different boundaries, they can do so on the application with a justification for the new boundaries. Please note that a proposal to amend these boundaries does not guarantee that the below boundaries will be amended. Final boundary determinations shall be made by DSLBD.

1. **Palisades** Commercial properties along Foxhall Road, NW from the intersection with Reservoir Road, NW to 44th Street, NW. Commercial properties along MacArthur Boulevard, NW from the intersection of Arizona Avenue, NW to the intersection with Foxhall Road, NW.
2. **Petworth:** Georgia Avenue from Upshur Street NW to Missouri Avenue, NW. Upshur Street from 8th Street NW to 13th Street NW.
3. **Woodley Park:** Connecticut Avenue NW from North Rd to Calvert Street and Calvert Street from 28th St NW to Woodley Park NW

III. Eligibility Requirements

Eligible applicants must be nonprofit organizations headquartered in the District of Columbia. Potential applicants that are not incorporated as a nonprofit are encouraged to begin the incorporation process well in advance of the grant application deadline, as incorporation can take up to thirty (30) days.

Below is a checklist that outlines all required items used to determine applicants' eligibility.

Applicants must submit the following documentation through their online application.

Applications that do not meet the necessary requirements **will not be scored**. These items **MUST** be completed by the application deadline.

Eligibility Checklist	
<input type="checkbox"/>	DC Department of Consumer and Regulatory Affairs (DCRA) Certificate of Incorporation
<input type="checkbox"/>	DCRA license to conduct business in the District of Columbia
<input type="checkbox"/>	DCRA Certificate of Good Standing
<input type="checkbox"/>	DC Office of Tax and Revenue Certificate of Clean Hands

<input type="checkbox"/>	Federal Employment Identification Number (FEIN) registered with the Office of Tax and Revenue
<input type="checkbox"/>	Valid Articles of Incorporation with the DCRA
<input type="checkbox"/>	Certified Financial Audit with auditor's notes, which is no more than two years old -or- for organizations that are less than two years old or have a budget of under \$50,000: <ul style="list-style-type: none"> • Organizational Budget for current fiscal year; • Income Statement (or Profit and Loss Statement) which is no more than one (1) year old; • Balance Sheet; and • Internal Revenue Service (IRS) filings and correspondence for three (3) years before the date of the grant application
<input type="checkbox"/>	Statement of Certification on organization's letterhead
<input type="checkbox"/>	Internal Revenue Service (IRS) issued Tax-Exempt Status Determination Letter
Additional documentation will be required of grant recipients.	

IV. Grant Competition Timeline

August 2, 2021	NOFA published. NOFA is available at the Office of Partnerships and Grants District Grants Clearinghouse and the DC Register .
August 9, 2021	RFA published. Applications are open.
August 18, 2021 at 4:00 pm	Information Session. The Grants Manager will present information on the grant and will be available for questions. DSLBD will hold an online pre-application informational meeting on Thursday, August 18, 2021 at 4:00 p.m. Anyone interested in attending the meetings should send an email to Elizabeth Anderson at (Elizabeth.anderson1@dc.gov).
September 1, 2021 at 12 noon	Registration Deadline After this date, DSLBD cannot guarantee that registrations will be activated by the application deadline.
September 7, 2021 at 12 noon	Application Deadline. Late applications are not accepted.
September 24, 2021	Awards announced. Anticipated date to notify applicants if they have been awarded a grant. This date is subject to change. Additional documents will be required by awardee in accordance with the terms of the final grant agreement or as otherwise requested by DSLBD. DSLBD reserves the right to withdraw an award offer if the selected Applicant does not submit the requested documents by a deadline established by DSLBD.

V. Grant Information

Successful applicants shall begin work by October 1, 2021. The period of performance for this grant is October 1, 2021 through September 30, 2022.

Grantee is responsible for spending grant funds in accordance with the tables below.

For Palisades and Petworth:

CATEGORY	APPROVED BUDGET	ELIGIBLE COSTS
Program Implementation	\$100,000	Programmatic Costs are those expenses required to execute deliverables.
Accounting	\$7,000	Accounting and audit services: (This is the maximum that may be reimbursed by this grant for this category).
Professional Development	\$1,500	Airfare, hotel, meals, and travel costs for professional development of program leaders; registration or tuition costs for professional development of program leaders. A <u>minimum of ten professional development hours</u> must be completed by the Executive Director by the close of the Period of Performance. (This is the maximum that may be reimbursed by this grant for this category.)
Sub-grants to business owners	\$33,000	Sub-grants to business owners. (This is the minimum that must be expended by this grant for this category. An allocation plan must be submitted by December 31, 2021. All funds must be expended by June 30, 2022.) Sub-grants can include hard costs (e.g., build-out of new or vacant space; interior and exterior renovations; façade improvements; and purchase and installation of heavy equipment that is permanently attached to a wall, floor, or ceiling); soft costs (e.g., point-of-sale and inventory management hardware and software; and purchase and installation of movable equipment and furniture); or a direct reimbursement to business owners for rent, utilities, employee wages and interior and exterior renovations.
Small Business Assistance	\$28,500	Direct assistance to small business owners (This is the minimum that must be expended by this grant for this category. An allocation plan must be submitted by

		<p>December 31, 2021. All funds must be expended by June 30, 2022.)</p> <p>Small business assistance to business owners can include either business branding and marketing (e.g., business model strategy redesigning and pivoting, business continuity plan development, strengthening of digital retail experiences including e-commerce platforms and/or online shops to bolster brick-and-mortar businesses, new marketing efforts including radio, TV, print ads); financial basics (e.g., accounting, cash flow issues); and small business essentials (e.g., creation and revision of business plans, exploration of new markets, grant readiness, legal assistance).</p>
Other costs	\$30,000	Other costs as outlined in the budget on Quickbase. Branding, public relations, and marketing expenses for the organization are capped at \$8,000. Events are capped at \$20,000.
Administrative Costs	\$75,000	Administrative costs are those expenses required to maintain and staff an office.
Salary and administrative expenses	\$75,000	Wages, salary, and limited fringe benefits for the Executive Director and other staff; administrative costs including office rental, office equipment, services, and other administrative costs. (This is the maximum that may be reimbursed by this grant for this category.)
TOTAL BUDGET	\$175,000	

For Woodley Park:

CATEGORY	APPROVED BUDGET	ELIGIBLE COSTS
Program Implementation	\$75,040	Programmatic Costs are those expenses required to execute deliverables.
Accounting	\$7,000	Accounting and audit services: (This is the maximum that may be reimbursed by this grant for this category).
Professional Development	\$1,500	Airfare, hotel, meals, and travel costs for professional development of program leaders; registration or tuition costs for professional development of program leaders. A

		<u>minimum of ten professional development hours</u> must be completed by the Executive Director by the close of the Period of Performance. (This is the maximum that may be reimbursed by this grant for this category.)
Sub-grants to business owners	\$25,000	<p>Sub grants to business owners. (This is the minimum that must be expended by this grant for this category. An allocation plan must be submitted by December 31, 2021. All funds must be expended by June 30, 2022.)</p> <p>Sub-grants can include hard costs (e.g., build-out of new or vacant space, interior and exterior renovations, façade improvements, and purchase and installation of heavy equipment that is permanently attached to a wall, floor, or ceiling); soft costs (e.g., point-of-sale and inventory management hardware and software, and purchase and installation of movable equipment and furniture); or a direct reimbursement to business owners for rent, utilities, employee wages and interior and exterior renovations.</p>
Small Business Assistance	\$15,000	<p>Direct assistance to small business owners (This is the minimum that must be expended by this grant for this category. An allocation plan must be submitted by December 31, 2021. All funds must be expended by June 30, 2022.)</p> <p>Small business assistance to business owners can include either business branding and marketing (e.g., business model strategy redesigning and pivoting, business continuity plan development, strengthening of digital retail experiences including e-commerce platforms and/or online shops to bolster brick-and-mortar businesses, new marketing efforts including radio, TV, print ads); financial basics (e.g., accounting, cash flow issues); and small business essentials (e.g., creation and revision of business plans, exploration of new markets, grant readiness, legal assistance).</p>
Other costs	\$26,540	Other costs as outlined in the budget on Quickbase
Administrative Costs	\$75,040	Administrative costs are those expenses required to maintain and staff an office.
Salary and administrative expenses	\$75,040	Wages, salary, and limited fringe benefits for the Executive Director and other staff; administrative costs including office rental, office equipment, services, and

	other administrative costs. (This is the maximum that may be reimbursed by this grant for this category.)
TOTAL BUDGET	\$150,080

Applicants should be able to match the DC Main Streets funds with funds raised from private sources within the neighborhood. There is no minimum required match.

VI. How to Apply

To start an application, interested applicants must first register at <https://octo.quickbase.com/db/bj3zsamhb?from=myqb>. DSLBD will activate applicants' online access within **two (2) business days** and notify them via email. The email will contain instructions on how to access the online application. Please submit only one registration form for your organization. (By requesting an application, your organization is NOT obligated to apply.)

Applications must be made through the online portal. DSLBD will not accept applications submitted via hand delivery, mail, or courier service. **Late submissions and incomplete applications will not be reviewed.**

The Agency shall not be liable for any costs incurred in the preparation of applications in response to the RFA. Applicant agrees that all costs incurred in developing the application are the applicant's sole responsibility.

Application Questions

- **Legal name of applicant.** This name will be used to verify incorporation. Applicants should not register a name containing the words "Main Street" or any variation thereof. Use of the phrase "Main Streets" as part of the name is available only to designated organizations and only as a trade name.
- **Contact information for Primary Contact Person**, including email, phone, and physical address.
- **Ward** in which applicant's office is located.
- **Federal Employment Identification Number (FEIN)** for applicant.
- **DC Business License Number.** All applicants are required to have a business license.
- **Narrative Questions**
 - State your organization's core mission. Please use no more than 50 words.
 - Briefly describe your organization's history, with a special emphasis on projects similar to the ones proposed in the grant. Please use no more than 250 words.
 - List your organization's key accomplishments in the revitalization of commercial corridors with a special emphasis on the provision of assistance to small businesses.

- Include measurable outcomes which resulted from your actions. Please use no more than 250 words.
- Describe three assets, three liabilities, and three opportunities for the Main Street district. Provide a 12-month and a 36-month plan to build upon the assets and opportunities and mitigate its liabilities. Please use no more than 500 words.
- Describe the current challenges of businesses in this Main Street district. Provide a short and a long-range plan to resolve them and provide measurable objectives by which your organization can track its progress. Please use no more than 500 words.
- Describe specific technical assistance needs for corridor businesses that will be addressed within the first year of operation of the Main Street Program. Please use no more than 300 words.
- Describe your organization's specific marketing initiatives to promote corridor businesses within the first year of operation of the Main Street Program. Please use no more than 300 words.
- Describe your organization's capacity to make the Main Street program operational within 30 days of grant award. Include the strategy for recruiting the Board of Directors, Committees, and hiring an Executive Director. Please use no more than 250 words.
- List all Team Members working on this application and who will initiate the project. Include additional relevant experience/expertise and full contact information for each member in the Additional Documents section.
- **Budget.** Fill out in the online QuickBase application according to the downloadable template. Note: Proposed expenses must coincide with the table above.
- **Fund Development Strategy.**
 - Describe how you plan to secure the projected income identified above by filling out the online QuickBase application according to the downloadable template. Ensure the strategy you describe is achievable.
 - Describe your organization's plans to make the Main Streets Program sustainable and independent over the next three to five years. Please use no more than 250 words.
- **Certification of Funding.** Certify that (1) you have raised funds, indicating the current dollar amount as cash in the bank and the dollar amount pledged for funding Year 1 of the local Main Streets program and (2) these funds are allocated exclusively for the Main Streets program which is part of this application round.
- **Required Documents Submission**
 - **Certified Financial Audit.** Provide the audit with auditor's notes, which is no more than two years old, or in the alternative, provide specified financial documentation.
 - **Photographs.** Please upload at least 10 high-resolution images of the commercial district, which illustrate its assets and liabilities.

- **Additional Documents** (optional). Upload any additional documents that you feel would contribute further to your application.
- **Applicant Attestation.**
 - Click the box attesting that “I declare, certify, verify, attest or state under penalty of perjury that this application, and the supporting documents submitted, are true and correct to the best of my knowledge and belief. Pursuant to D.C. Official Code § 22-2402, any person convicted of perjury shall be fined not more than \$5,000 or imprisoned for not more than 10 years, or both.”
 - Click the box attesting that “I understand that any fraud or misrepresentation on an application shall be grounds for automatic rejection or denial of the application. I also understand that failure to provide full disclosure of any of the requested information may result in the rejection of this application.”

VII. Application Scoring

DSLBD will select a grant recipient through a competitive application process. A review panel will review the applications received by the submission deadline and score them against the following criteria with respective weight. Applicants, who best demonstrate that they are qualified to achieve the program objectives, will be awarded the grant. The following criteria will be used to evaluate all applications.

1. **Capacity and history of the applicant organization** to complete the work requested. Previous projects and the experience of team leaders will show that the applicant possesses the expertise to complete the grant successfully. (15 points)
2. **Strength of the implementation plan** to achieve the desired outcome. Through a description of the Main Street district’s assets, liabilities, and opportunities, applicants will show that they have a sound methodology for addressing the issues outlined above. (25 points)
3. Capacity to **identify current challenges of businesses** in the Main Street district and address specific **technical assistance needs**. (40 points)
4. **Creativity and innovation** in addressing commercial revitalization issues. (20 points)

VIII. Reservations

- Funding for any grant award is contingent on continued grantor funding. The publication of an RFA does not commit DSLBD to make an award.
- Applications that do not comply with the application instructions will not be considered. DSLBD reserves the right to accept or deny any or all applications if the agency determines such an act is in the best interest of the agency to do so. DSLBD shall notify the applicant if it rejects that applicant’s proposal.
- DSLBD may suspend or terminate an outstanding RFA pursuant to its own grantmaking rule(s) or any applicable federal regulation or requirement.
- DSLBD reserves the right to accept or deny any or all applications if DSLBD determines that such action is in the best interest of the District to do so.

- DSLBD shall not be liable for any costs incurred by an applicant in the preparation of one or more grant applications for this Program. The applicant understands and agrees that all costs incurred in developing and preparing any grant application shall be the applicant's sole responsibility.
- DSLBD may conduct pre-award on-site visits to verify information submitted in a grant application.
- DSLBD serves as its own reference in evaluating applications. An applicant's performance in managing previous grants will be factored into grant decisions.
- DSLBD may enter into negotiations with an awardee and adopt a firm funding amount or other revision of the awardee's proposal that may result from the negotiations.
- In the event of a conflict between the terms and conditions of the grant application and any applicable federal or local law or regulation, or any ambiguity related thereto, then the provisions of the applicable law or regulation shall control and it shall be the responsibility of the applicant to ensure compliance.
- DSLBD reserves the right to issue addenda and/or amendments subsequent to the issuance of the NOFA or RFA, or to rescind the NOFA or RFA. DSLBD will post addenda or amendments in the online application (see below). Applicants are responsible for regularly reviewing and adhering to any RFA addenda or amendments.

Questions?

Interested applicants may ask questions during DSLBD's virtual application Q&A session, which will be held online on Wednesday, August 18, 2021 at 4:00 PM. Anyone interested in attending the sessions should send an email to Elizabeth Anderson at Elizabeth.anderson1@dc.gov.



DC MAIN STREETS PROGRAM 2022

REVISED Request for Applications (RFA)

The District of Columbia ("DC" or "District") Department of Small and Local Business Development ("DSLBD") is re-soliciting applications from eligible entities for designation as, and operation and management of, a FY 2022 (October 1, 2021 through September 30, 2022) DC Main Street ("DCMS") program ("Program") for the two DC commercial districts detailed below. DSLBD published the initial Notice of Funding Availability (NOFA) in the October 1, 2021 edition of the DC Register (www.dcregs.dc.gov). The NOFA is also available at <http://dslbd.dc.gov/service/current-solicitations-opportunities>.

DSLBD intends to make Main Street designations of the Palisades and the Woodley Park commercial districts and to award grants for a DCMS Program in each in the amounts of **\$175,000 for the Palisades service area, and \$150,080 for the Woodley Park service area** ("Grant Awards"). All prior applicants for these two service areas may reapply in accordance with the contents of this revised RFA, so please review thoroughly.

This RFA contains the following:

- I. Purpose of Grant
- II. Designated Commercial Districts
- III. Eligibility Requirements and Checklist
- IV. Grant Competition Timeline
- V. Grant Information w/ Budget Guidelines
- VI. How to Apply
- VII. Application Scoring
- VIII. Reservations

Applicants should review the entire contents of this RFA closely before submitting an application.

I. Purpose of Grant

DCMS is a program established by the District to stimulate the economic revitalization of declining commercial districts through application of the Main Street Approach®. The National Main Street Center has licensed DCMS within the District of Columbia.

The DC Main Streets Grant Awards provide funds to organizations to develop programs and services to: (1) assist business districts with the retention, expansion, and attraction of neighborhood-serving retail stores; and (2) unify and strengthen the commercial corridor.

DSLBD will designate one program per the selected neighborhoods, adding two more designations. Contingent upon funding by the District, the grant is renewable and may be awarded every year in which the designated program continues to meet all performance standards established by DC Main Streets as well as all applicable District laws and regulations.

II. Designated Commercial Districts

The following geographic descriptions are the suggested district areas. If applicants would like to propose different boundaries, they can do so on the application with a justification for the new boundaries. Please note that a proposal to amend these boundaries does not guarantee that the below boundaries will be amended. Final boundary determinations shall be made by DSLBD.

1. **Palisades** Commercial properties along Foxhall Road, NW from the intersection with Reservoir Road, NW to 44th Street, NW. Commercial properties along MacArthur Boulevard, NW from the intersection of Arizona Avenue, NW to the intersection with Foxhall Road, NW.
2. **Woodley Park**: Connecticut Avenue, NW from North Rd to Calvert Street and Calvert Street from 28th Street, NW to Woodley Park, NW

III. Eligibility Requirements

Eligible applicants must be nonprofit organizations headquartered in the District of Columbia. Potential applicants that are not incorporated as a nonprofit are encouraged to begin the incorporation process well in advance of the grant application deadline, as incorporation can take up to thirty (30) days.

Below is a checklist that outlines all required items used to determine an applicant's eligibility.

Applicants must submit the following documentation through their online application. Applications that do not meet the necessary requirements **will not be scored**. These items **MUST** be completed by the application deadline.

Eligibility Checklist	
<input type="checkbox"/>	DC Department of Consumer and Regulatory Affairs (DCRA) Certificate of Incorporation
<input type="checkbox"/>	DCRA license to conduct business in the District of Columbia
<input type="checkbox"/>	DCRA Certificate of Good Standing
<input type="checkbox"/>	DC Office of Tax and Revenue Certificate of Clean Hands

<input type="checkbox"/>	Federal Employment Identification Number (FEIN) registered with the Office of Tax and Revenue
<input type="checkbox"/>	Valid Articles of Incorporation with the DCRA
<input type="checkbox"/>	Certified Financial Audit with auditor's notes, which is no more than two years old -or- for organizations that are less than two years old or have a budget of under \$50,000: <ul style="list-style-type: none"> • Organizational Budget for current fiscal year; • Income Statement (or Profit and Loss Statement) which is no more than one (1) year old; • Balance Sheet; and • Internal Revenue Service (IRS) filings and correspondence for three (3) years before the date of the grant application
<input type="checkbox"/>	Statement of Certification on organization's letterhead
<input type="checkbox"/>	Internal Revenue Service (IRS) issued Tax-Exempt Status Determination Letter
<i>Additional documentation will be required of grant recipients.</i>	

IV. Grant Competition Timeline

October 1, 2021	NOFA published. NOFA is available at the Office of Partnerships and Grant Services ("OPGS") and the DC Register .
October 4, 2021	RFA published. Applications are open.
October 12 at 4:00 pm and October 21, 2021 and 7:00 pm	Information Session. The Grants Manager will present information on the grant and will be available for questions. DSLBD will hold an online pre-application informational meeting on Tuesday, October 12, 2021 at 4:00 p.m. and Thursday, October 21 at 7:00 pm. Anyone interested in attending the meetings should send an email to Elizabeth Anderson at (Elizabeth.anderson1@dc.gov).
October 28, 2021 at 12 noon	Registration Deadline After this date, DSLBD cannot guarantee that registrations will be activated by the application deadline.
November 2, 2021 at 12 noon	Application Deadline. Late applications will not be accepted.
November 30, 2021	Awards announced. Anticipated date to notify applicants if they have been awarded a grant. This date is subject to change. Additional documents will be required by awardee in accordance with the terms of the final grant agreement or as otherwise requested by DSLBD. DSLBD reserves the right to withdraw an award offer if the selected applicant does not submit the requested documents by a deadline established by DSLBD.

V. Grant Information

Successful applicants shall begin work by December 1, 2021. The period of performance for this grant is December 1, 2021 through September 30, 2022.

Grantee is responsible for spending grant funds in accordance with the tables below.

For Palisades:

CATEGORY	APPROVED BUDGET	ELIGIBLE COSTS
Program Implementation	\$100,000	Programmatic Costs are those expenses required to execute deliverables.
Accounting	\$7,000	Accounting and audit services: (This is the maximum that may be reimbursed by this grant for this category).
Professional Development	\$1,500	Airfare, hotel, meals, and travel costs for professional development of program leaders; registration or tuition costs for professional development of program leaders. A <u>minimum of ten professional development hours</u> must be completed by the Executive Director by the close of the period of performance. (This is the maximum that may be reimbursed by this grant for this category.)
Sub-grants to Business Owners	\$33,000	Sub-grants to business owners. (This is the minimum that must be expended by this grant for this category. An allocation plan must be submitted by December 31, 2021. All funds must be expended by June 30, 2022.) Sub-grants can include hard costs (e.g., build-out of new or vacant space; interior and exterior renovations; façade improvements; and purchase and installation of heavy equipment that is permanently attached to a wall, floor, or ceiling); soft costs (e.g., point-of-sale and inventory management hardware and software; and purchase and installation of movable equipment and furniture); or a direct reimbursement to business owners for rent, utilities, employee wages and interior and exterior renovations.
Small Business Assistance	\$28,500	Direct one-on-one assistance to small business owners (This is the minimum that must be expended by this grant for this category. An allocation plan must be

		<p>submitted by December 31, 2021. All funds must be expended by June 30, 2022.)</p> <p>Small business assistance to business owners must include business branding and marketing (e.g., business model strategy redesigning and pivoting, business continuity plan development, strengthening of digital retail experiences including e-commerce platforms and/or online shops to bolster brick-and-mortar businesses, new marketing efforts including radio, TV, print ads); financial basics (e.g., accounting, cash flow issues); and small business essentials (e.g., creation and revision of business plans, exploration of new markets, grant readiness, legal assistance).</p>
Other Programmatic Costs	\$30,000	Other costs as outlined in the budget on Quickbase (please specify costs for every line item, do not label costs as "other" or "TBD"). Branding, public relations, and marketing expenses for the organization are capped at \$6,000. Specialized software costs are capped at \$1,000. Events are capped at \$10,000 per event for a total of \$20,000.
Administrative Costs	\$75,000	Administrative costs are those expenses required to maintain and staff an office.
Salary and Administrative Expenses	\$75,000	Wages, salary, and limited fringe benefits for the Executive Director and other staff; administrative costs including office rental, office equipment, services, and other administrative costs. (This is the maximum that may be reimbursed by this grant for this category.)
TOTAL BUDGET	\$175,000	

For Woodley Park:

CATEGORY	APPROVED BUDGET	ELIGIBLE COSTS
Program Implementation	\$75,040	Programmatic Costs are those expenses required to execute deliverables.
Accounting	\$7,000	Accounting and audit services: (This is the maximum that may be reimbursed by this grant for this category.)

Professional Development	\$1,500	Airfare, hotel, meals, and travel costs for professional development of program leaders; registration or tuition costs for professional development of program leaders. A <u>minimum of ten professional development hours</u> must be completed by the Executive Director by the close of the period of performance. (This is the maximum that may be reimbursed by this grant for this category.)
Sub-grants to business owners	\$25,000	Sub grants to business owners. (This is the minimum that must be expended by this grant for this category. An allocation plan must be submitted by December 31, 2021. All funds must be expended by June 30, 2022.) Sub-grants can include hard costs (e.g., build-out of new or vacant space, interior and exterior renovations, façade improvements, and purchase and installation of heavy equipment that is permanently attached to a wall, floor, or ceiling); soft costs (e.g., point-of-sale and inventory management hardware and software, and purchase and installation of movable equipment and furniture); or a direct reimbursement to business owners for rent, utilities, employee wages and interior and exterior renovations.
Small Business Assistance	\$15,000	Direct one-on-one assistance to small business owners (This is the minimum that must be expended by this grant for this category. An allocation plan must be submitted by December 31, 2021. All funds must be expended by June 30, 2022.) Small business assistance to business owners must include business branding and marketing (e.g., business model strategy redesigning and pivoting, business continuity plan development, strengthening of digital retail experiences including e-commerce platforms and/or online shops to bolster brick-and-mortar businesses, new marketing efforts including radio, TV, print ads); financial basics (e.g., accounting, cash flow issues); and small business essentials (e.g., creation and revision of business plans, exploration of new markets, grant readiness, legal assistance).
Other Programmatic Costs	\$26,540	Other costs as outlined in the budget on Quickbase (please specify costs for every line item, do not label costs as "other" or "TBD"). Branding, public relations, and marketing expenses for the organization are capped at

		\$6,000. Specialized software costs are capped at \$1,000. Events are capped at \$10,000 per event for a total of \$20,000.
Administrative Costs	\$75,040	Administrative costs are those expenses required to maintain and staff an office.
Salary and Administrative Expenses	\$75,040	Wages, salary, and limited fringe benefits for the Executive Director and other staff; administrative costs including office rental, office equipment, services, and other administrative costs. (This is the maximum that may be reimbursed by this grant for this category.)
TOTAL BUDGET	\$150,080	

Applicants should be able to match the DC Main Streets funds with funds raised from private sources within the neighborhood. There is no minimum required match.

VI. How to Apply

To start an application, interested applicants must first register at <https://octo.quickbase.com/db/b13zsamhb?from=mygb>. DSLBD will activate applicants' online access within **two (2) business days** and notify them via email. The email will contain instructions on how to access the online application. Please submit only one registration form for your organization. (By requesting an application, your organization is NOT obligated to apply.)

Applications must be made through the online portal. DSLBD will not accept applications submitted via hand delivery, mail, or courier service. **Late submissions and incomplete applications will not be reviewed.**

The Agency shall not be liable for any costs incurred in the preparation of applications in response to the RFA. Applicant agrees that all costs incurred in developing the application are the applicant's sole responsibility.

Application Questions

- **Legal name of primary applicant.** This name will be used to verify incorporation. Applicants should not register a name containing the words "Main Street" or any variation thereof. Use of the phrase "Main Streets" as part of the name is available only to designated organizations and only as a trade name.
- **Contact information for Primary Contact Person**, including email, phone, and physical address.
- **Ward** in which applicant's office is located.
- **Federal Employment Identification Number (FEIN)** for applicant.

- **DC Business License Number.** All applicants are required to have a business license.
- **DC Department of Consumer and Regulatory Affairs (DCRA) Certificate of Incorporation**
- **DCRA Certificate of Good Standing**
- **DC Office of Tax and Revenue Certificate of Clean Hands**
- **Internal Revenue Service (IRS) issued Tax-Exempt Status Determination Letter**
- **Co-applicant (Optional).** Applicants who choose to apply for the grant in conjunction with a co-applicant must identify the defined roles and responsibilities for each applicant and co-applicant and elaborate on these roles in support of all responses to the narrative questions as well as the budget. Co-applicants are prohibited from serving in an advisory capacity and, therefore, cannot be compensated as such under a fee-for-service agreement. Co-applicants must demonstrate how the co-applicant's roles and responsibilities will contribute to an active and robust partnership with the applicant in furtherance of the creation and successful development (scope of work) of the Main Street district.
- **Legal name of Co- applicant.** This name will be used to verify incorporation. Co-Applicants should not register a name containing the words "Main Street" or any variation thereof. Use of the phrase "Main Streets" as part of the name is available only to designated organizations and only as a trade name.
- **Contact information for Primary Contact Person,** including email, phone, and physical address.
- **Ward** in which co-applicant's office is located.
- **Federal Employment Identification Number (FEIN)** for co-applicant.
- **DC Business License Number.** All applicants are required to have a business license.
- **DC Department of Consumer and Regulatory Affairs (DCRA) Certificate of Incorporation**
- **DCRA Certificate of Good Standing**
- **DC Office of Tax and Revenue Certificate of Clean Hands**
- **Internal Revenue Service (IRS) issued Tax-Exempt Status Determination Letter**
- **Narrative Questions**
 - State your organization's core mission. Please use no more than 50 words.
 - Briefly describe your organization's history, with a special emphasis on projects similar to the ones proposed in the grant. Please use no more than 250 words.
 - List your organization's key accomplishments in the revitalization of commercial corridors with a special emphasis on the provision of assistance to small businesses. Include measurable outcomes which resulted from your actions. Please use no more than 250 words.
 - Describe three assets, three liabilities, and three opportunities for the Main Street district. Provide a 12-month and a 36-month plan to build upon the assets and opportunities and mitigate its liabilities. Please use no more than 500 words.

- Describe the current challenges of businesses in this Main Street district. Provide a short and a long-range plan to resolve them and provide measurable objectives by which your organization can track its progress. Please use no more than 500 words.
- Describe specific technical assistance needs for corridor businesses that will be addressed within the first year of operation of the Main Street Program. Please use no more than 300 words.
- Describe your organization's specific marketing initiatives to promote corridor businesses within the first year of operation of the Main Street Program. Please use no more than 300 words.
- Describe your organization's internal capacity to make the Main Street program operational within 30 days of grant award. Include the strategy for recruiting the Board of Directors, Committees, and hiring an Executive Director. Please use no more than 250 words.
- List all Team Members working on this application and who will initiate the project. Include additional relevant experience/expertise and full contact information for each member in the Additional Documents section.
- If your organizations previously served in a grantee role for a Main Streets Program and lost this award due to lack of performance or chose to self-rescind this role, please explain why and improvements made towards current application/co-application. Please use no more than 300 words.
- **Budget.** Fill out in the online QuickBase application according to the downloadable template. Note: 1. Proposed expenses must coincide with the approved budget tables above. 2. Fundraising fees for service cannot be included as part of your programmatic cost.
- **Fund Development Strategy.**
 - Describe how you plan to secure the projected income identified above by filling out the online QuickBase application according to the downloadable template. Ensure the strategy you describe is achievable. Fees for service cannot be included as part of your fundraising strategy.
 - Describe your organization's plans to make the Main Streets Program sustainable and independent over the next three to five years. Please use no more than 250 words.
- **Certification of Funding.** Certify that (1) you have raised funds, indicating the current dollar amount as cash in the bank and the dollar amount pledged for funding Year 1 of the local Main Streets program and (2) these funds are allocated exclusively for the Main Streets program which is part of this application round.
- **Required Documents Submission**
 - **Certified Financial Audit.** Provide the audit with auditor's notes, which is no more than two years old, or in the alternative, provide specified financial documentation.

- **Photographs.** Please upload at least 10 high-resolution images of the commercial district, which illustrate its assets and liabilities.
- **Additional Documents** (optional). Upload any additional documents that you feel would contribute further to your application.
- **Applicant Attestation.**
 - Click the box attesting that “I declare, certify, verify, attest or state under penalty of perjury that this application, and the supporting documents submitted, are true and correct to the best of my knowledge and belief. Pursuant to D.C. Official Code § 22-2402, any person convicted of perjury shall be fined not more than \$5,000 or imprisoned for not more than 10 years, or both.”
 - Click the box attesting that “I understand that any fraud or misrepresentation on an application shall be grounds for automatic rejection or denial of the application. I also understand that failure to provide full disclosure of any of the requested information may result in the rejection of this application.”

VII. Application Scoring

DSLBD will select a grant recipient through a competitive application process. A review panel will review the applications received by the submission deadline and score them against the following criteria with respective weight. Applicants, who best demonstrate that they are qualified to achieve the program objectives, will be awarded the grant. The following criteria will be used to evaluate all applications.

1. **Capacity and history of the applicant organization** to complete the work requested. Previous projects and the experience of team leaders will show that the applicant possesses the expertise to complete the grant successfully. (15 points)
2. **Strength of the implementation plan** to achieve the desired outcome. Through a description of the Main Street district’s assets, liabilities, and opportunities, applicants will show that they have a sound methodology for addressing the issues outlined above. (25 points)
3. Capacity to **identify current challenges of businesses** in the Main Street district and address specific **technical assistance needs**. (30 points)
4. **Creativity and innovation** in addressing commercial revitalization issues. (20 points)
5. **Organization’s internal capacity** to strategize and implement projects and activities on its own as opposed to retaining external consultants or partners (10 points)

VIII. Reservations

- Funding for any grant award is contingent on continued grantor funding. The publication of an RFA does not commit DSLBD to make an award.
- Applications that do not comply with the application instructions will not be considered. DSLBD shall notify the applicant if it rejects that applicant’s proposal.
- DSLBD may suspend or terminate an outstanding RFA pursuant to its own grantmaking rule(s) or any applicable federal regulation or requirement.

- DSLBD reserves the right to accept or deny any or all applications if DSLBD determines that such action is in the best interest of the District to do so.
- DSLBD shall not be liable for any costs incurred by an applicant in the preparation of one or more grant applications for this Program. The applicant understands and agrees that all costs incurred in developing and preparing any grant application shall be the applicant's sole responsibility.
- DSLBD may conduct pre-award on-site visits to verify information submitted in a grant application.
- DSLBD serves as its own reference in evaluating applications. An applicant's performance in managing previous grants will be factored into grant decisions.
- DSLBD may enter into negotiations with an awardee and adopt a firm funding amount or other revision of the awardee's proposal that may result from the negotiations.
- In the event of a conflict between the terms and conditions of the grant application and any applicable federal or local law or regulation, or any ambiguity related thereto, then the provisions of the applicable law or regulation shall control and it shall be the responsibility of the applicant to ensure compliance.
- DSLBD reserves the right to issue addenda and/or amendments subsequent to the issuance of the NOFA or RFA, or to rescind the NOFA or RFA. DSLBD will post addenda or amendments in the online application (see below). Applicants are responsible for regularly reviewing and adhering to any RFA addenda or amendments.

Questions?

Interested applicants may ask questions during DSLBD's virtual application Q&A sessions, which will be held online on Tuesday, October 12, 2021 at 4:00 PM and Thursday, October 21, 2021 at 7:00 PM. Anyone interested in attending the sessions should send an email to Elizabeth Anderson at Elizabeth.anderson1@dc.gov.

WHEREAS, [REDACTED] has expressed that it has the requisite capacity and desire to operate a DC Main Streets program within its designated boundaries of [REDACTED]

and

WHEREAS, [REDACTED] recognizes that this Grant is for restricted use and is predicated on [REDACTED] commitment to maintain its core operations, and programs and services consistent with the Main Street Approach[®] (defined herein),

NOW THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

SECTION I

I. PERIOD OF PERFORMANCE

The term of this Agreement shall be from October 1, 2021 ("the Effective Date") through September 30, 2022 ("End of Grant Period") ("Period of Performance").

II. GRANT AWARD AMOUNT

The amount of the grant award shall be One Hundred Fifty Thousand and Eighty Dollars (\$150,080) ("Grant Funds"). The Grantee shall expend all Grant Funds by the End of Grant Period.

III. GRANT FUNDS MANAGEMENT

The Grantee must manage Grant Funds awarded for the Program in compliance with the following requirements.

A. Eligible Use of Grant Funds

1. All Grant Funds must be applied solely toward eligible costs for the operation of the Program (the "Program Budget") as outlined in Table 1 below.

Table 1

Program Budget

CATEGORY	APPROVED BUDGET	ELIGIBLE COSTS
Program Implementation	\$75,040	Programmatic Costs are those expenses required to execute Program deliverables.
Accounting	\$7,000	Accounting and audit services: (This is the maximum that may be reimbursed with Grant Funds for this category).
Professional Development	\$1,500	Airfare, hotel, meals, and travel costs only for and related to professional development of program leaders; registration or tuition costs

		for professional development of program leaders. A <u>minimum of ten professional development hours</u> must be completed by the Executive Director/Program Manager by the close of the Period of Performance. (This is the maximum that may be reimbursed with Grant Funds for this category.)
Sub-grants to business owners	\$25,000	<p>Sub grants to business owners. (This is the minimum that must be expended with Grant Funds for this category. An allocation plan must be submitted by December 31, 2021. All funds must be expended by June 30, 2022.)</p> <p>Sub-grants can include hard costs (e.g., Program space build-out and renovations; façade improvements; and purchase and installation of heavy equipment and fixtures permanently attached to a wall, floor, or ceiling), soft costs (e.g., point-of-sale and inventory management hardware and software; and purchase and installation of movable equipment and furniture), and direct reimbursement to business owners for rent, utilities, employee wages and interior and exterior renovations.</p>
Small Business Assistance	\$15,000	<p>Direct assistance to small business owners (This is the minimum that must be expended with Grant Funds for this category. An allocation plan must be submitted by December 31, 2021. All funds must be expended by June 30, 2022.)</p> <p>Small business assistance to business owners can include either business branding and marketing (e.g., business model strategy redesigning and pivoting; business continuity plan development; strengthening of digital retail experiences including e-commerce platforms and/or online shops to bolster brick-and-mortar businesses; new marketing efforts including radio, TV, print ads); financial basics (e.g., accounting; cash flow issues), small business essentials (e.g., creation and revision of business plans; exploration of new markets; grant readiness; legal assistance).</p>
Other Costs	\$26,540	Other costs as outlined in the budget on

		Quickbase
Administrative Costs	\$75,040	Administrative costs are those expenses required to maintain and staff a Program office.
Salary and Administrative Expenses	\$75,040	Wages, salary, and limited fringe benefits for the Program's Executive Director/Program Manager and other staff; administrative costs including office rental, office equipment, services, and other administrative costs. (This is the maximum that may be reimbursed with Grant Funds for this category.)
TOTAL BUDGET	\$150,080	

2. A maximum of \$20,000 of Program Grant Funds may be spent on events.
3. The total Grant Funds amount cannot be changed, however, variances of up to 15% between categories of expenses of "Other Costs", as outlined in the budget in Quickbase, are allowed without written permission from DSLBD.
4. The Grant Funds shall be disbursed following the Disbursement Schedule in Table 2 below and contingent on the Grantee's compliance with the disbursement process described therein.

Tier Levels

There are three tiers for DC Main Streets based on their performance: **Nascent, Developing, and Mature.**

The tiers are defined as follows. Grantees must meet all requirements to move up a level. Any program on a performance improvement plan will be placed in the nascent tier. Failure to spend the full grant award or failure to meet the CBE requirement will result in a performance improvement plan.

Level	Age of Program	Strategic Goals	Direct Technical Assistance Provided to Corridor Businesses	Quarterly Report History	Expense Uploads	Private Funds Raised	CBE Spend Requirement Met from Previous Fiscal Year	On-time Pre-Award from Previous Fiscal Year
Nascent	< 3 years	Strategic goals were successfully met 70% of the time through implementation of projects; actively providing assistance to corridor businesses	Organization conducted check-ins with corridor businesses on a regular basis. ED provided a minimum of 80 hours of TA per quarter, of which 40 were provided by the ED.	History of late reports or incomplete reports at time of signing grant agreement	History of late expense uploads	<\$20,000 in previous fiscal year four quarterly reports at time of signing the grant agreement	yes	yes
Developing	3+ years	Strategic goals were successfully met 80% of the time through implementation of projects; actively providing assistance to corridor businesses	Organization conducted check-ins with corridor businesses on a regular basis. ED provided a minimum of 90 hours of TA per quarter, of which 45 were provided by the ED.	All reports submitted on time for the last four quarterly reports at time of signing grant agreement	All expenses uploaded on time for the last four quarterly or last 12 monthly reports at time of signing grant agreement	>\$20,000 in previous four quarterly reports at the time of signing the grant agreement	yes	yes
Mature	4+ years	Strategic goals were successfully met 95% of the time through implementation of projects; actively providing assistance to corridor businesses	Organization conducted check-ins with corridor businesses on a regular basis. ED provided a minimum of 100 hours of TA per quarter, of which 50 were provided by the ED.	All reports submitted on time for the last eight quarterly reports at time of signing grant agreement	All expenses uploaded on time for the last eight quarterly reports at time of signing grant agreement	>\$40,000 in previous four quarters at the time of signing grant agreement	yes	yes

The reporting and disbursement schedule for the tiered programs is as follows:

Level	Reporting	Disbursements	Disbursement Percentages	Indirect Administrative Rate
Nascent	Monthly	Five	25%, 25%, 25%, 15%, 10%	no
Developing	Quarterly	Four	30%, 30%, 30%, 10%	no
Mature	Quarterly	Three	50%, 40%, 10%	no

Appendix H. DCMS Pole Banners (Photographed April 28, 2022)

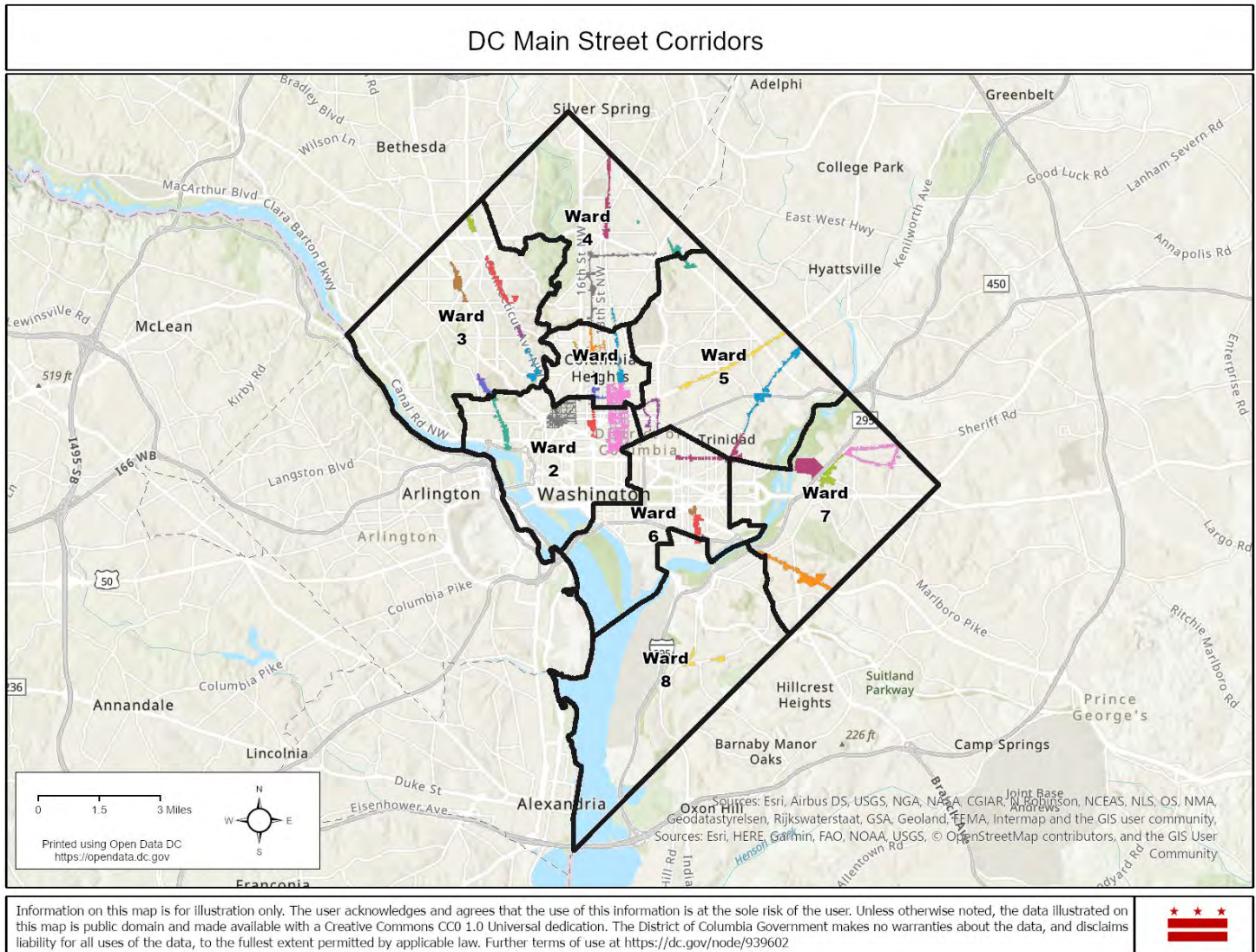








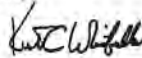
Appendix I. DCMS Locations by Ward



Appendix J. DSLBD Response to the Draft Report

MEMORANDUM

To: Daniel W. Lucas, Inspector General (OIG)

From: Kristi C. Whitfield, Director (DSLBD) 

CC: Marie Hart, Principal Inspector General (OIG); Matthew Wilcoxson, Deputy Inspector General for External Affairs (OIG); Yulanda Gaither, Deputy Inspector General for Executive Secretariate (OIG); Edward Farley, Assistant Inspector General for Inspections and Evaluations (OIG); Kevin Donahue, City Administrator (OCA); Betsy Cavendish, General Counsel (EOM); Rosemary Suggs-Evans, Chief of Staff (DSLBD), and Lorenzo McRae, General Counsel (DSLBD)

Date: February 13, 2023

Re: Response to OIG's Special Evaluation of the D.C. Main Streets Grant Program - Amended

On December 21, 2022, the Office of the Inspector General's ("OIG") Inspection and Evaluation Unit provided the Department of Small and Local Business Development ("DSLBD" or "Department") with its Draft Special Evaluation of DSLBD's D.C. Main Streets Grant Program (OIG Project No. 23-I-02EN0) (i.e., the "Report"). The Report contained 17 recommendations and three observations concerning the District of Columbia ("D.C.") Main Streets Program ("Program"),¹ but the OIG did not find any incidents of fraud, abuse, or bias in the Program.

OIG asked DSLBD to review and respond to the Report, and this memo serves as DSLBD's official response. For background, OIG's inspection and evaluation of the Program began on February 3, 2022.² This occurred after one Main Street grantee's former employee made allegations of potentially fraudulent activities by the organization. The Executive Office of the Mayor reported this claim to OIG. In addition, a separate grantee that currently administers six Main Street Programs made allegations to the D.C. Council of bias in the grantmaking process concerning not being awarded a seventh Main Street grant. Council included this latter complaint as part of the review request. The OIG evaluation and inspection, however, covered all 28 active Main Streets (focusing mainly

¹ D.C.'s Program started in 2002 with five Main Streets. By 2016, there were 10, and as of 2022, the Program grew to 28 Main Streets (with possibly at least one more being added later this year given the Feasibility Study for Foggy Bottom and West End). As of 2022, the budget for the Program had also increased to approximately \$5,062,000. The Program is affiliated with the National Main Street Center ("NMSC"), and DSLBD serves as NMSC's facilitator of the D.C. Main Streets, thereby coordinating the Program in D.C. and providing funding and technical assistance to the D.C. Main Streets organizations.

² OIG's Inspection and Evaluation Unit conducted an "Entrance Conference" with DSLBD on this date.

on six),³ and ultimately, the initial complaints were not substantiated. OIG reviewed relevant documents and information from 2016 to 2022 and interviewed DSLBD staff.⁴

The Department appreciates OIG's diligent efforts in producing the Report, and we found the Inspection and Evaluation Unit engaging and thoughtful. The Department shares OIG's core values of accountability, integrity, professionalism, transparency, continuous improvement, and excellence in service to our constituents. The Department has the added core value of "equity" in its programming. In many respects, OIG's recommendations are constructive and timely, given that DSLBD had already begun a self-assessment and procedural reforms that correspond with some of OIG's recommendations and observations. Specifically, DSLBD's efforts have led to the drafting and implementation of the new *Grants Policies and Procedures Manual*, overhaul of the Department's *Grant Agreement*, and updating of the *Grant Closeout Letter Template*.⁵ In many respects, our goals are aligned, even though some of our views and approaches may vary.

It is important to note that OIG's Report has not concluded that fraud, abuse, or bias exists in the Program. Moreover, the OIG did not find that DSLBD acted in bad faith. Nonetheless, OIG offered several recommendations to help avoid the perception of bias, mitigate any vulnerabilities to fraudulent activities in the Program, and strengthen the Program's administration. Fortunately, several implementations of these recommendations were already underway at DSLBD, as detailed below.

OIG's recommendations and its three observations are in the below chart. As part of its response, the Department states whether it agrees or disagrees with OIG's proposal and provides some context where applicable. Differences notwithstanding,⁶ the Report generally offers an opportunity for heightened awareness of the Main Streets' work in the local communities and shows our mutual efforts to strengthen the Program. Overall, OIG's evaluation and DSLBD's ongoing self-assessment will further promote our shared core values of supporting the accountability, integrity, and continuous improvement of the Program for the equitable benefit of the District's small local business communities.

Please do not hesitate to contact me with further questions concerning the Report and the Department's responses. I can be reached at Kristi.Whitfield@dc.gov or (202) 727-3900.

³ Significant focus was given to the following D.C. Main Streets Programs – Upper Georgia Avenue, Lower Georgia Avenue, Georgetown, Congress Heights, H Street, and Woodley Park.

⁴ This includes, but is not limited to, grant applicants, agreements, and reports; D.C. Council hearings; D.C. regulations; the Citywide Grants Manual and Sourcebook; employee interviews; and articles in the media. OIG concentrated on expenses in FY21, RFAs from FY16 to FY22, and grant agreements from FY19 to FY22.

⁵ See Appendices A, B, and C attached.

⁶ Although some of the Report's points provided as the basis for the recommendations may be missing context that DSLBD believes is relevant, it is not necessary to raise each such point, particularly given that ultimately many of OIG's recommendations are being implemented, in some form, by DSLBD.



GOVERNMENT OF THE DISTRICT OF COLUMBIA

441 4th Street, NW, Suite 850N ■ Washington, DC 20001 ■ Ph: 202.727.3900
www.dslbd.dc.gov

**DSLBD'S RESPONSES to OIG'S RECOMMENDATIONS and OBSERVATIONS
REGARDING the D.C. MAIN STREETS PROGRAM**

Recommendation	Agree/ Disagree	Actions Taken or Planned Actions	Target Date for Completing Planned Action	Reasons for Disagreement and/ or Important Notes
1. Work with the D.C. Council to enact a governing statute that authorizes rulemaking authority and then draft regulations to submit to the D.C. Council.	Agree	Under review, as DSLBD determines what to propose to incorporate into pending regulatory and/ or statutory changes.	CY23	DSLBD has actively worked with D.C. Council to amend the CBE Act and its regulations since 2020. We hope to move those changes forward and work with Council on making appropriate updates to the D.C. Main Streets Program.
2. Implement a policy requiring DCMS Boards and DSLBD employees who interact with DCMS to complete fraud prevention training.	Agree	Request OIG to host semi-annual fraud training for DSLBD staff and recommend that DCMS grantees provide proof of fraud training for their respective boards.	FY24	For clarity, the DCMS grantee organizations' boards are not all "D.C. Main Streets Boards." The majority are boards of independent non-profits that have won Program grants and likely obtain other types of contributions.
3. Establish a formal process to periodically review RFAs and the standards for selecting grantees and commit to only modifying that process w/n the established timeframe.	Agree	In process	FY24	DSLBD will need to consider appropriate timing for RFA review and modification in light of the actions and incidents that could prompt changes, e.g., legislative and budget cycles, while also recognizing the need for emergency or corrective changes during an active RFA. DSLBD will remain vigilant and mindful of impacts on applicants.
4. Establish a document retention policy that complies with the requirements of the Office of Public Record.	Agree	The document retention policy has been approved and in effect since September 2019.	Completed	
5. Include a requirement in agency regulations that written justifications for grant decisions be included in grant files and preserved for	Agree in part	The document retention policy has been approved and in effect since September 2019, and the new Grants Policies and Procedures Manual went	Completed	The Department agrees that a written justification should be a part of the grant file and has included this requirement in DSLBD's Grants Policies and Procedures Manual. D.C. Council



GOVERNMENT OF THE DISTRICT OF COLUMBIA

441 4th Street, NW, Suite 850N ■ Washington, DC 20001 ■ Ph: 202.727.3900
www.dslbd.dc.gov

independent review for a period specified in the document retention policy.		into effect on December 14, 2022. ⁷		has the authority to incorporate our policy into the Department's regulations, but DSLBD alone does not. (Please see the Important Note for Recommendation 1.) Any such justification can be requested pursuant to open records laws, thus produced for the public upon request, pursuant to any applicable redactions.
6. Implement procedures governing the expenditure and reimbursement process, including requiring both proof of payment and detailed invoices, and include these procedures in all new/renewed grant agreements.	Agree	The new Grants Policies and Procedures Manual went into effect on December 14, 2022, and the new grant agreement template governs FY23. Together they require, among other things, proof of payment and detailed invoices.	Completed	
7. Implement a procedure through which Main Street Programs' expenditure data are posted regularly on their websites subject to appropriate redactions, so constituents can review transactions and create a way for the public to notify DSLBD of questionable transactions.	Agree in part	Annual Reports are required per the 2023 grant agreements and must be posted online.	Completed	The Annual Report that D.C. Main Street Programs will publish (in March) requires them to include a summary of key indicators demonstrating progress towards strategic goals, grantee performance, and financial management (like its annual budget and expenditure data). This report has to be posted on the Programs' respective websites, pursuant to their respective grant agreements. Given the abundance of confidential trade secrets and volume of information (e.g., hundreds of transactions and supporting documents within a fiscal year), DSLBD does not believe it is appropriate for every transaction to be a part of the respective Annual Reports or posted on their websites. Moreover, if implemented,

⁷ This is an internal DSLBD document concerning the policies and procedures for its grantmaking activities. It is not shared with external parties, but obviously, it could be obtained by them via a FOIA request.



GOVERNMENT OF THE DISTRICT OF COLUMBIA

441 4th Street, NW, Suite 850N ■ Washington, DC 20001 ■ Ph: 202.727.3900
www.dslbd.dc.gov

				DSLBD foresees being inundated constantly with questions, and responding to them all would add significantly to the Main Street staff's workloads. Further, the public currently may inquire and receive such reports through the FOIA process, so there is no efficiency in adding yet another process.
8. Establish a policy that caps the number of Main Street grantees for which a DSLBD grant administrator exercises oversight and assign additional FTEs the task of reviewing and verifying expenditures.	Disagree	N/A	N/A	<p>The District has 28 Main Street Programs, the vast majority of which were historically created by the D.C. Council. In creating them, Council has not provided additional FTE monies for oversight. Presently, DSLBD has three FTEs who manage the D.C. Main Streets Program and another three who provide support. Two of the three supporting staff members started on January 30, 2023.</p> <p>Further, NMSC's relevant guidelines recommend that (1) there is one full-time staff person dedicated to coordinating the Main Street America Program and (2) at least one additional full-time employee for every 10 designated Programs, including new, mature, or affiliated Programs. DSLBD presently meets that standard. The Department, however, continues to evaluate its staffing needs and wants to maintain a robust and strong staff. Notwithstanding that, given current staff numbers and workloads, DSLBD cannot cap the number of D.C. Main Street grantees for each DSLBD administrator, as suggested by OIG.</p>
9. Include a requirement in grant agreements that grantees complete a technical assistance	Agree	The new Grants Policies and Procedures Manual went into effect on December 14, 2022, and	Completed	



GOVERNMENT OF THE DISTRICT OF COLUMBIA

441 4th Street, NW, Suite 850N ■ Washington, DC 20001 ■ Ph: 202.727.3900
www.dslbd.dc.gov

report and define the details for these submissions.		the new grant agreement template governs FY23. Together they require detailed information in the Technical Assistance Report.		
10. Establish procedures to (a) monitor subgrants, including a requirement that grantees submit invoices, checks, and documentation of subgrant fund expenditures, and (b) periodically verify that subgrantees received subgrants.	Agree	Under consideration, as DSLBD determines how to implement this for subgrantees into the new Grants Policies and Procedures Manual.	CY23	
11. Develop a process to ensure enforcement of the biannual audit requirement by requiring a third-party review of these audits and tie fund disbursements to their completion.	Agree in part	The new Grants Policies and Procedures Manual went into effect on December 14, 2022, and the new grant agreement template governs FY23. The audit is an annual requirement that is due in June.	Completed	<p>The question appears to be based on OIG's misunderstanding that the former "biannual audit" was a twice-a-year audit. It was a two-year audit.⁸ Doing this twice a year would be problematic as that would not represent a natural point to reconcile the records. In addition, this would be extraordinarily burdensome in cost and tasks for grantees, given the amount of grant funds allocated and the amount of time required (usually several months) to conduct an audit.</p> <p>Moreover, at present, DSLBD appears to be exceeding federal standards whereby a non-federal entity that expends \$750,000 or more during its fiscal year in federal awards must have a single or program-specific audit conducted for that year, pursuant to 2 C.F.R. § 200.501.⁹</p>
12. Require grantees to post biannual audits on the Main Street program's website.	Disagree	N/A	N/A	The Audit concerns the grant organization, and there is significant confidential and trade secret information (e.g., finances,

⁸ Previous grant agreements used "biannual" to mean "biennial," i.e., every other year. The FY23 grant agreements require audits annually.

⁹ <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F>.



GOVERNMENT OF THE DISTRICT OF COLUMBIA

441 4th Street, NW, Suite 850N ■ Washington, DC 20001 ■ Ph: 202.727.3900
www.dslbd.dc.gov

				<p>weaknesses of the organization, and targeted areas of improvement) with this task. Such a requirement could be fundamentally misused and misunderstood if obtained by the public. Further, the Annual Report is available on the Program's websites, which allows for sufficient transparency. To be clear, the Annual Report is specific to Main Streets, whereas the Audit concerns the greater grant organization (with parts highlighting Main Street activity).</p> <p>Moreover, the public can request specific documents via FOIA after reviewing the publicly available Annual Report.</p>
13. Develop a policy to clarify audit requirements for organizations that manage multiple Main Street Programs.	Agree	The new Grants Policies and Procedures Manual went into effect on December 14, 2022, and the new grant agreement template governs FY23. Together they require detailed Audit information. The Department is reviewing the language to determine if anything extra is needed in the Audit from the organizations managing more than one Main Street.	CY23	The grant agreement requires that the Audit contain an Independent Financial Statement Report prepared by an independent accountant, including (1) the grantee's fiscal year income statement; (2) the grantee's balance sheet; (3) the grantee's reconciliation of cash balances; and (4) an independent review of grantee's internal controls which cover the prevention of waste, misuse, misappropriations, and fraud; compliance with applicable laws, regulations, contracts, and policies and procedures; and ensuring or encouraging management efficiency.
14. Improve the format and content of its grant closeout letters to better measure and communicate the Programs purpose and a grantee's achievements.	Agree	The new closeout template was created and implemented as of January 2023.	Completed	
15. Make quarterly reports and closeout letters publicly available and design a process	Agree in part	N/A	N/A	The public is able to contact DSLBD with questions or comments. The public can also comment in D.C. Main Street



GOVERNMENT OF THE DISTRICT OF COLUMBIA

441 4th Street, NW, Suite 850N ■ Washington, DC 20001 ■ Ph: 202.727.3900
www.dslbd.dc.gov

where the public can submit comments to DSLBD.				<p>public board meetings when they are not closed for executive sessions. DSLBD does not oppose requiring D.C. Main Streets to post upcoming public meetings as notice. However, a public comment process takes significant time and arguably has limited value, given the general public's lack of familiarity with the nuances of the many different D.C. Main Streets Programs and their respective work.</p> <p>Again, the quarterly reports and closeout letters are publicly available through the FOIA process.</p>
16. Design the new information system in a way that saves an audit trail and retains historical information following the D.C. Government document retention policy.	Agree	In process	CY24	Aspects of this work are being integrated into the new DES; however, this proposed timeframe is based in part on continued funding for DES.
17. Implement a policy to recompete grants at the defined interval DSLBD determines most appropriate, but not to exceed every five years.	Agree	In process	CY23	

ADDITIONAL OBSERVATIONS

Observation	DSLBD Response
1. <i>Equity in Main Street Locations:</i> Main Street Programs are prevalent in some sectors of the District (e.g., Ward 3 containing 7 of 28, which is twice as many as the next Ward). By quadrant, there are 18 in Northwest, 6 in Northeast, 4 in Southeast, and 0 in Southwest.	As noted, the D.C. Council makes decisions about the creation of D.C. Main Street Programs, including the geographic boundaries, allocation of total funds for the grants, and allocation of funds for additional DSLBD staff (which it has not done).
2. <i>Disparity of Funds Per Business:</i> grant funding has mainly remained static regardless of a Program's size	The D.C. Council allocates the total funds for the D.C. Main Street Programs' grants. DSLBD is considering the impact of changing how those monies are used for each D.C. Main Street.



GOVERNMENT OF THE DISTRICT OF COLUMBIA

441 4th Street, NW, Suite 850N ■ Washington, DC 20001 ■ Ph: 202.727.3900
www.dslbd.dc.gov

<p>geographically or the number of businesses a program aimed to serve. The Programs' sizes and the number of businesses varied significantly.</p>	
<p>3. Losing the hyperlocal Aspect of Main Streets: The purpose of the Program is to emphasize a hyperlocal approach to sustainable preservation and revitalization. Half of the grant funds are for an executive director's salary, which DSLBD has justified by citing this hyperlocal approach and the advantages of having someone who knows the neighborhood, including its businesses and proprietors. The number of grantees managing multiple Programs has grown (now to half). Such consolidation may cause the Programs to lose the hyperlocal emphasis. For example, some organizations managing multiple Programs did not have offices within each Main Street corridor. The OIG wonders whether businesses in the corridor may be better served to receive all grant funds directly rather than 50% of the grant being spent on an executive director who is not intimately familiar with the proprietors and businesses in the respective corridors.</p>	<p>OIG raises some valid points. DSLBD does emphasize the hyperlocal nature of the Program and believes it is essential. This, of course, is a tenet of the National Main Street Center. The Department is evaluating the nature of consolidation and how that impacts the hyperlocal aspects of the model.</p>



GOVERNMENT OF THE DISTRICT OF COLUMBIA

441 4th Street, NW, Suite 850N ■ Washington, DC 20001 ■ Ph: 202.727.3900
www.dslbd.dc.gov

APPENDIXES

Appendix A	Grant Agreement
Appendix B	Grants Policies and Procedures Manual
Appendix C	Grant Closeout Letter Template



GOVERNMENT OF THE DISTRICT OF COLUMBIA

441 4th Street, NW, Suite 850N ■ Washington, DC 20001 ■ Ph: 202.727.3900
www.dslbd.dc.gov

To report fraud, waste, abuse, or mismanagement:



(202) 724-TIPS (8477) and (800) 521-1639



<http://oig.dc.gov>



oig@dc.gov

