

Government of the District of Columbia

**Schedule of Expenditures of Federal
Awards and Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2007**

Government of the District of Columbia

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** (the District), as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. Significant deficiencies in internal control over financial reporting are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2007-01 through 2007-09.

- | | |
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| I. Office of Tax and Revenue. | VI. Management of Grants. |
| II. Management of the Medicaid Program. | VII. Compensation. |
| III. District of Columbia Public Schools. | VIII. Management of the Disability Compensation Program. |
| IV. Investment Reconciliations and Activities. | IX. Management of the Unemployment Compensation Program. |
| V. National Capital Revitalization Corporation and the Anacostia Waterfront Corporation. | |



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-01 through 2007-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2007-10 through 2007-12.

- I. Noncompliance with Procurement Regulations.
- II. Noncompliance with the Quick Payment Act.
- III. Noncompliance with the Financial Institutions Deposit and Investment Amendment Act.

We also noted additional matters which we have reported to management of the District in a separate letter dated March 31, 2008. The status of prior year instances of reportable conditions, material weaknesses, and material noncompliance is presented below:

Nature of Comment	Type of Comment in Fiscal Year 2006	Current Year Status
District of Columbia Public Schools	Material Weakness	Material Weakness
Management of the Medicaid Program	Reportable Condition	Material Weakness
Noncompliance with Procurement Regulations	Material Noncompliance	Material Noncompliance
Noncompliance with the Quick Payment Act	Material Noncompliance	Material Noncompliance



The District's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, the Council, the Inspector General of the District, District management, the U.S. Government Accountability Office, the U.S. Congress, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Washington, D.C.
March 31, 2008



Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Mayor and the Council of the Government of the District of Columbia

Compliance

We have audited the compliance of the **Government of the District of Columbia** (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The accompanying Schedules of Expenditures of Federal Awards and our audit described below do not include the federal expenditures of the District of Columbia Water and Sewer Authority and the District of Columbia Housing Finance Agency. These component units of the District have a separate independent audit performed in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in the items listed below and as found in the accompanying schedule of findings and questioned costs, the District did not comply with certain requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to those programs.

Finding No.	Compliance Requirement
2007-13	Allowable Costs
2007-14	Allowable Costs
2007-15	Cash Management
2007-16	Cash Management
2007-17	Cash Management



Finding No. (cont'd)	Compliance Requirement (cont'd)
2007-18	Cash Management
2007-19	Cash Management
2007-20	Cash Management
2007-21	Cash Management
2007-22	Cash Management
2007-23	Eligibility
2007-24	Eligibility
2007-25	Reporting
2007-26	Subrecipient Monitoring
2007-27	Subrecipient Monitoring
2007-28	Subrecipient Monitoring
2007-29	Special Tests and Provisions: Inpatient Hospital and Long-Term Care Facility Audits
2007-31	Special Tests and Provisions: Utilization Control and Program Integrity
2007-33	Allowable Costs
2007-36	Allowable Costs
2007-37	Cash Management
2007-38	Cash Management
2007-41	Procurement, Suspension, and Debarment
2007-44	Subrecipient Monitoring
2007-45	Subrecipient Monitoring
2007-46	Special Tests and Provisions: Subgrant Awards
2007-49	Allowable Costs
2007-51	Cash Management
2007-52	Cash Management
2007-53	Eligibility
2007-54	Eligibility
2007-55	Eligibility
2007-56	Eligibility
2007-59	Procurement, Suspension, and Debarment
2007-60	Procurement, Suspension, and Debarment
2007-61	Reporting
2007-62	Reporting
2007-63	Cash Management
2007-65	Cash Management
2007-68	Special Tests and Provisions: Employer Experience Rating
2007-69	Allowable Costs
2007-70	Cash Management
2007-71	Procurement, Suspension, and Debarment
2007-72	Reporting
2007-75	Special Tests and Provisions: Provision of Child Support Services for Interstate Initiating Cases
2007-77	Allowable Costs
2007-78	Allowable Costs
2007-79	Allowable Costs



Finding No. (cont'd)	Compliance Requirement (cont'd)
2007-80	Allowable Costs
2007-82	Allowable Costs
2007-83	Allowable Costs
2007-85	Allowable Costs
2007-87	Allowable Costs
2007-88	Cash Management
2007-90	Cash Management
2007-92	Cash Management
2007-94	Cash Management
2007-96	Matching, Level of Effort, Earmarking
2007-97	Matching, Level of Effort, Earmarking
2007-98	Matching, Level of Effort, Earmarking
2007-99	Period of Availability
2007-100	Procurement, Suspension, and Debarment
2007-101	Reporting
2007-102	Reporting
2007-104	Reporting
2007-107	Subrecipient Monitoring
2007-109	Subrecipient Monitoring
2007-111	Subrecipient Monitoring
2007-112	Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals
2007-114	Allowable Costs
2007-115	Allowable Costs
2007-118	Allowable Costs
2007-119	Cash Management
2007-120	Cash Management
2007-121	Cash Management
2007-122	Cash Management
2007-123	Cash Management
2007-124	Eligibility
2007-125	Eligibility
2007-126	Eligibility
2007-128	Matching, Level of Effort, Earmarking
2007-129	Matching, Level of Effort, Earmarking
2007-130	Period of Availability
2007-131	Procurement, Suspension, and Debarment
2007-132	Procurement, Suspension, and Debarment
2007-133	Procurement, Suspension, and Debarment
2007-135	Reporting
2007-136	Subrecipient Monitoring
2007-137	Subrecipient Monitoring
2007-138	Special Tests and Provisions: Child Support Non-Cooperation
2007-139	Allowable Costs
2007-140	Allowable Costs



Finding No. (cont'd)	Compliance Requirement (cont'd)
2007-142	Allowable Costs
2007-143	Matching, Level of Effort, Earmarking
2007-144	Program Income
2007-145	Special Tests and Provisions: Housing Quality Standards

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to in the first paragraph of this report that are applicable to each of its major federal programs for the year ended September 30, 2007, other than those discussed in the following paragraph.

The results of our audit procedures also disclosed other instances of noncompliance with the requirements referred to in the first paragraph of this report which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as follows:

Finding No.	Compliance Requirement
2007-47	Eligibility
2007-66	Eligibility
2007-67	Eligibility
2007-113	Special Tests and Provisions: Participation of Private School Children
2007-116	Allowable Costs

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-13 through 2007-145 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider the following items to be material weaknesses:

Finding No.	Compliance Requirement
2007-14	Allowable Costs
2007-15	Cash Management
2007-16	Cash Management
2007-17	Cash Management
2007-18	Cash Management
2007-19	Cash Management
2007-20	Cash Management
2007-21	Cash Management
2007-22	Cash Management
2007-23	Eligibility
2007-24	Eligibility
2007-26	Subrecipient Monitoring
2007-27	Subrecipient Monitoring
2007-28	Subrecipient Monitoring
2007-29	Special Tests and Provisions: Inpatient Hospital and Long-Term Care Facility Audits
2007-31	Special Tests and Provisions: Utilization Control and Program Integrity
2007-36	Allowable Costs
2007-37	Cash Management
2007-38	Cash Management
2007-41	Procurement, Suspension, and Debarment
2007-44	Subrecipient Monitoring
2007-45	Subrecipient Monitoring
2007-51	Cash Management
2007-52	Cash Management
2007-53	Eligibility
2007-54	Eligibility
2007-55	Eligibility
2007-56	Eligibility
2007-59	Procurement, Suspension, and Debarment
2007-60	Procurement, Suspension, and Debarment
2007-61	Reporting
2007-62	Reporting
2007-63	Cash Management
2007-65	Cash Management
2007-69	Allowable Costs
2007-70	Cash Management
2007-71	Procurement, Suspension, and Debarment



Finding No. (cont'd)	Compliance Requirement (cont'd)
2007-72	Reporting
2007-77	Allowable Costs
2007-78	Allowable Costs
2007-79	Allowable Costs
2007-80	Allowable Costs
2007-82	Allowable Costs
2007-83	Allowable Costs
2007-87	Allowable Costs
2007-88	Cash Management
2007-90	Cash Management
2007-92	Cash Management
2007-94	Cash Management
2007-96	Matching, Level of Effort, Earmarking
2007-97	Matching, Level of Effort, Earmarking
2007-98	Matching, Level of Effort, Earmarking
2007-99	Period of Availability
2007-100	Procurement, Suspension, and Debarment
2007-101	Reporting
2007-102	Reporting
2007-104	Reporting
2007-107	Subrecipient Monitoring
2007-109	Subrecipient Monitoring
2007-111	Subrecipient Monitoring
2007-112	Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals
2007-114	Allowable Costs
2007-115	Allowable Costs
2007-118	Allowable Costs
2007-119	Cash Management
2007-120	Cash Management
2007-121	Cash Management
2007-122	Cash Management
2007-123	Cash Management
2007-124	Eligibility
2007-125	Eligibility
2007-126	Eligibility
2007-128	Matching, Level of Effort, Earmarking
2007-129	Matching, Level of Effort, Earmarking
2007-130	Period of Availability
2007-131	Procurement, Suspension, and Debarment
2007-132	Procurement, Suspension, and Debarment
2007-133	Procurement, Suspension, and Debarment
2007-136	Subrecipient Monitoring
2007-138	Special Tests and Provisions: Child Support Non-Cooperation
2007-139	Allowable Costs
2007-140	Allowable Costs



Finding No. (cont'd)	Compliance Requirement (cont'd)
2007-142	Allowable Costs
2007-143	Matching, Level of Effort, Earmarking
2007-144	Program Income
2007-145	Special Tests and Provisions: Housing Quality Standards

Schedules of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** (the District), as of and for the year ended September 30, 2007, and have issued our report thereon dated March 31, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The accompanying Schedules of Expenditures of Federal Awards are presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The District's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, the Council, the Inspector General of the District, District management, federal awarding agencies and pass-through entities, the U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Washington, D.C.

October 3, 2008

Schedules of Expenditures of Federal Awards



