

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**



OFFICE OF INTEGRITY AND OVERSIGHT

**FISCAL YEAR 2017
AUDIT WORK PLAN**

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Abbreviations and Acronyms Used

ACFO	Associate Chief Financial Officer
CAFR	Comprehensive Annual Financial Report
CCU	Central Collections Unit
CFO	Chief Financial Officer
CFSA	Child and Family Services Agency
COTR	Contracting Officer's Technical Representative
DCFO	Deputy Chief Financial Officer
DCLB	DC Lottery & Charitable Games Board
DHCD	Department of Housing and Community Development
District	Government of the District of Columbia
FY	Fiscal Year
HSSC	Human Support Services Cluster
ITS	Integrated Tax System
OCFO	Office of the Chief Financial Officer
OCTFME	Office of Cable Television Film Music and Entertainment
OFOS	Office of Financial Operations and Systems
OFT	Office of Finance and Treasury
OIO	Office of Integrity and Oversight
OPCSFS	Office of Public Charter School Financing and Support
OMB	Office of Management and Budget
OTR	Office of Tax and Revenue
<i>Plan</i>	<i>Work Plan</i>
PEG	Public Education and Government
POC	Point of Contact
SEFA	Schedule of Expenditures of Federal Awards
SOAR	System of Accounting and Reporting

FOREWORD

This is the Office of Integrity and Oversight (OIO) Fiscal Year 2017 Internal Audit Work Plan (*Plan*) which includes ongoing and planned audits as well as non-audit projects. The ongoing and planned projects are designed to provide a reasonable assurance on the adequacy of established policies and procedures, economy and efficiency of operations, and internal controls for agencies under the purview of the independent Office of the Chief Financial Officer (OCFO).

FY 2017's plan is appropriately focused on high-risk areas and is closely aligned with the OCFO Strategic Plan. I believe our audit engagements and projects will enhance the integrity and reliability of the District's financial management and reporting systems. The OIO is staffed with professional and technically skilled auditors who continually meet the challenges of assessing, monitoring, and improving financial controls and accountability within the District.

I express special thanks to our Chief Financial Officer Jeff DeWitt, Deputy Chief Financial Officer and Chief of Staff Angell Jacobs, Deputy Chief Financial Officers (DCFOs), Associate Chief Financial Officers (ACFOs), and the Chief Risk Officer for their confidence and support of OIO's work.

Respectfully,



Timothy Barry
Executive Director

INTRODUCTION

OIO is pleased to present its FY 2017 *Audit Work Plan*. The *Plan* includes descriptions of planned audits and non-audit projects to be conducted during the coming fiscal year. We selected these projects based on risk assessments of programs and issues; input from the OCFO executive staff, agency officials, and other stakeholders.

OIO supports the mission of the OCFO and the *Strategic Plan* issued in FY 2014. The *Strategic Plan*, focuses on seven strategic objectives:

- Improve Customer Service,
- Create a Culture of Continuous Improvement,
- Improve Transparency and Quality of Information,
- Effectively Manage Risk and Fraud,
- Implement Quality Financial Systems,
- Develop, Attract and Retain High Quality Employees, and
- Manage a Fair and Equitable System for the Collection of District Revenues.

As part of our *Plan*, we have incorporated these seven objectives into our on-going and planned projects. Within the description of each of the audit and non-audit engagements, we included the applicable strategic objective(s). The list of the objectives for each project is not intended to be all inclusive, but we believe highlight the objectives that best align with the overall OIO Internal Audit's objectives.

In assessing the risks facing the OCFO and the District, our work plan has been designed around strategic segments/agencies within the OCFO. In FY 2016, OIO sent risk questionnaires to the Deputy CFO's, Associate CFO's and Executive Directors within the OCFO to get feedback on areas of risk in their respective organizations. Based on the feedback we received, we assessed the responses and coupled with our own understanding of risk areas within the OCFO we developed our plan. The *Plan* is organized by segments/agencies, which are:

- I. Office of Tax and Revenue (OTR)
- II. Office of Finance and Treasury (OFT)
- III. Lottery and Charitable Games Board (DCLB)
- IV. Office of Financial Operations and Systems (OFOS)
- V. Regulatory Audits
- VI. OCFO/District-Wide Audit Engagements
- VII. Non-Audit Services

The listing of a particular project in the FY 2017 *Plan* does not necessarily mean that problems exist or guarantee that the engagement will be undertaken. During the year it is not possible to plan for all of the potential audits and/or projects that OIO may be requested to perform. For example, during the year OCFO executives may request an audit be initiated within their area of responsibility or the City Council may request an audit be initiated in a specific area of government

operations. To accommodate the special requests and other critical issues, OIO may find it necessary to delay or suspend an audit until the resources are available to start or recommence a project. Should OIO consider the modifications to the plan to be significant, we will modify the *Plan* to reflect the additional requests and changed priorities.

THE AUDIT PROCESS

OIO's audit process includes several integrated steps that assist us in accomplishing our objectives. These include the announcement of the audit (engagement memorandum), an entrance conference, an audit survey and fieldwork stage, an exit conference with the agency officials impacted by the audit results, a reporting process, a resolution process, and audit follow-up process. We provided a brief explanation of each of these processes in the following paragraphs.

Engagement Memorandum

Prior to the start of an audit, OIO generally sends an engagement memorandum to the agency head(s) involved with the project. The memorandum includes the audit title, a project number, an outline of the planned objectives, the period covered by the audit, and the planned starting date. Additionally, the memorandum also explains that OIO will hold an entrance conference to provide the appropriate OCFO managers with information about the audit. In some instances, OIO will not send an engagement memorandum. This is done when the audit is on a surprise basis. In those instances, we will send an engagement memorandum to the impacted OCFO officials after the start of the audit.

Entrance Conference

OIO holds an entrance conference with the OCFO senior managers and agency officials of the program whose operations will be audited. At the entrance conference, the auditors will provide detailed explanations of the audit planned objectives, the period of time that will be covered by the audit, the audit methodologies that we may use, and the formal reporting process. If management requested the audit, we discuss the specific areas of interest or problems they have noted. During this meeting OIO encourages the agency officials to bring to the audit team's attention any concerns, ideas, or special circumstances that may impact the audit. Also, we request that the agency provide us with an official point of contact for the audit (POC). The POC is the individual that OIO will: (1) contact to request audit documentation, to arrange interviews and meetings with agency officials and staff, and (2) to provide briefings on the progress of the audit, findings requiring immediate attention, and other issues that need management's attention.

Survey and Fieldwork

The audit begins with a survey of the program, activity or function that is the subject of the audit. We perform some initial testing, determined by the audit objectives, to discern any

areas that we need to focus our audit efforts. Subsequent to the completion of the survey work, we will determine whether a sufficient basis for additional work exists. If such a determination is made, OIO continues its fieldwork focusing on the areas that we determined warrant the additional testing. The bulk of the audit's fieldwork is performed in this phase. We may request additional and more extensive records and documents from the agency. During this execution phase, we perform detailed examinations and testing, based on our objectives, to determine whether (1) the program, activity, or function is operating efficiently and effectively; (2) the internal controls are functioning as intended; and (3) that the agency is compliant with the applicable laws and regulations. In this phase, the auditors will develop their findings, recommendations, and audit results that form the basis for the written audit report.

The survey and execution phases require the cooperation of the OCFO officials and staff. The auditors may need OCFO officials and staff to: answer questions; provide us with access to records, documentation, and files; and to prepare data (spreadsheets, flowcharts, documents). OIO will keep in mind that the officials and staff of the OCFO agencies need to carry out their regular functions and workload. OIO auditors will conduct its work in a mutually agreed way that will cause minimal disruption to the agency operations.

Keeping OCFO Officials Informed

During the audit, OIO will keep the agency officials advised of any deficiencies or weaknesses we identify. OIO will, through the POC, keep the officials informed of the progress of the audit, and any issues that require the officials' immediate attention. Agency officials can expect the following types of formal communication during the audit:

Audit Memoranda. As the audit progresses, we may provide the agency head with interim audit findings and recommendations to inform the segment or agency head of matters requiring immediate attention or action, and to obtain informal comments regarding the accuracy or completeness of the findings.

The use of the *Audit Memoranda* serves three distinct purposes:

1. Provides the agency the opportunity to voice concerns about the findings or recommendations and provide additional documentation and information to support its position;
2. Reduces the misunderstandings and inaccuracies between the auditors and the segment or agency officials; and
3. Allows the OCFO agency to initiate corrective action on the weaknesses and deficiencies as they are identified.

Audit Exit Conference. After all the audit test work is completed, OIO conducts a formal exit conference with the agency officials. At the exit conference, we summarize the issues, and findings previously provided to the officials through the agency POC, and any additional findings and recommendations we may have subsequently developed. We provide the

agency officials with the opportunity to discuss the corrective actions necessary to initiate the recommendations and resolve the findings. This is done with the audit team present at the exit conference. We will encourage the agency to take immediate action, if possible, on the recommendations. OIO will include the substantiated actions taken on the recommendations in the draft and final audit report.

Draft Audit Report. OIO prepares the draft audit report which includes any comments or concerns raised at the exit conference by the agency officials. OIO sends the draft report to the agency head responsible for implementation of the recommendations. Usually, we request the agency official to whom the draft report is addressed, to provide us with a written response to the draft document within 10 business days from the date of the draft report. OIO requests that the response to the draft report's recommendations include: the actions taken or planned by the agency and the projected dates for completion of any uncompleted actions. When appropriate, alternative solutions can be proposed by the agency.

Final Report. After receipt of the agency's written response, OIO will analyze the response and consider the impact of any alternative solutions presented by the agency. OIO will summarize the response to the individual recommendations in the body of the report. The agency's full response is included as an appendix to the report. The report is distributed to the CFO, the DCFO/Chief of Staff, Chief Risk Officer, and the agency head, to whom the recommendations are addressed. OIO's final reports are also published on the OCFO's website.

Audit Follow-up. The agency officials are responsible for taking the corrective actions that they have agreed to in their responses to individual audit reports. OIO monitors progress in the implementation of the audit recommendations and related corrective actions. Periodically, OIO will conduct follow-up audits or incorporate follow-up of prior year recommendations in the audit to verify that the agreed upon corrective actions have been taken and the recommendations implemented and effective in correcting the cause of the finding in the report.

PLANNED AND ONGOING AUDITS AGENCY INDEX

Title	Page Number	Status ¹ as of Oct. 1, 2016
OFFICE OF TAX AND REVENUE (OTR)		
1. Audit of Internal Controls over the Compliance Administration’s Waiver of Penalty and Interest	13	P
2. Audit of Internal Controls over File Transfers and Balancing	13	P
3. Audit of Internal Controls over Real Property Tax Administration Adjustments	14	P
4. Audit of Internal Controls over the Office of Tax and Revenue Collections Division Case Management Process	14	P
5. Audit of Internal Controls over Lower Income Homeownership Tax Abatement Program	15	P
6. Audit of Internal Controls over the Office of Tax and Revenue Audit Division Case Management Process	15	O
7. Audit of Internal Controls over the OTR Clean Hands Tax Certification	16	O
OFFICE OF FINANCE AND TREASURY (OFT)		
8. Audit of Internal Controls over iNovah Transaction Processing	16	P
9. Audit of the Office of Finance and Treasury’s Central Collections Unit (CCU) Operations	17	P
10. Audits of Internal Controls at the Office of Finance and Treasury’s Cashiering Operations	17	P
DC LOTTERY & CHARITABLE GAMES BOARD (DCLB)		
11. Follow-up Audit of Internal Controls over the DCLB Instant Ticket Inventory Process	18	P
12. Audit of DCLB Implementation of the Best Practices Recommendations	19	P

¹ O – Designates the audit or project is in progress as of October 1, 2016. P – Designates a new project to start during FY 2017.

Title	Page Number	Status as of Oct. 1, 2016
OFFICE OF FINANCIAL OPERATIONS AND SYSTEMS (OFOS)		
13. Agreed Upon Procedures between the Office of Financial Operations and Systems (OFOS) and the Office of Integrity and Oversight (OIO) Regarding the FY 2017 Quarterly Independent Monitoring of SOAR Journal Entries	19	P
14. Agreed Upon Procedures between the Office of Financial Operations and Systems (OFOS) and the Office of Integrity and Oversight (OIO) Regarding the FY 2016 Quarterly Independent Monitoring of SOAR Journal Entries [Job No. 16-02-20 OFOS]	20	O
REGULATORY AUDITS		
15. Audit of the Inmate Welfare Fund Financial Statements for the Fiscal Year Ended September 30, 2016	20	P
16. Audit of the New Columbia Statehood Fund Statement of Revenues and Expenditures for the Fiscal Year Ended September 30, 2016	21	P
17. Audit of the Office of Public Charter School Financing and Support (OPCSFS) Statement of Revenues and Expenditures for FY 2016	22	P
18. Audit of the Office of Public Charter School Financing and Support (OPCSFS) Statement of Revenues and Expenditures for FY 2015 [Job No. 16-02-17 OSSE]	22	O
OCFO/DISTRICT-WIDE AUDITS		
19. Office of Cable Television Film Music and Entertainment (OCTFME) Transactional Analysis	23	P
20. Follow-up on the Audit of Internal Controls over the Gift Card Program at Selected Agencies of the Human Support Services Cluster (HSSC)	23	P
21. Compliance Audit of Cash Management at Child and Family Services Agency (CFSA)	24	P
22. Compliance Audit of Cash Management at Department of Housing and Community Development (DHCD)	25	P
23. Audit of Internal Controls over the Vendor Master File	25	P

Title	Page Number	Status as of Oct. 1, 2016
NON-AUDIT SERVICES		
24. Follow-up Procedures of the FY 2016 Independent Auditor's Report on Internal Control over Financial Reporting and the Comprehensive Annual Financial Report (CAFR) Management Letter	26	P
CONTRACT ADMINISTRATION		
Single Audit Coordination of the District-Wide FY 2015-FY2019 Single Audit Contract [Contract No. CFOPD-16-C-014]	28	O

**Summary of Planned and Ongoing Audits
Fiscal Year 2017**

Segment/Agency	Ongoing as of Oct. 1, 2016	FY 2017 Projects		
		Mandatory	Planned	Total
Office of Tax and Revenue	2		5	7
Office of Finance and Treasury	-		3	3
Lottery and Charitable Games Board	-		2	2
Office of Financial Operations and Systems	1		1	2
Regulatory Audits	1	3		4
OCFO/District-Wide Engagements	-		5	5
Non-Audit Services	-		1	1
Total	4	3	17	24

Note: Mandatory Audits are required by statute or regulation.

**FY 2017
WORK PLAN**

Office of Tax and Revenue (OTR)

No. 1 (OTR)

STATUS: Start FY 2017

TITLE: Audit of Internal Controls over the Compliance Administration's Waivers of Penalty and Interest

OBJECTIVES: The overall objective of the audit is to determine whether waivers are granted or denied in accordance with policies and procedures.

JUSTIFICATION: OTR may waive or cancel delinquent return penalties in limited circumstances if the taxpayer shows reasonable cause. A request for waiver can be submitted in relation to an audit assessment or existing accounts receivable. This area was identified as high risk by the Treasury Inspector General for Tax Administration in its review of internal controls within the Compliance Administration.

STRATEGIC OBJECTIVES: Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues.

No. 2 (OTR)

STATUS: Start FY 2017

TITLE: Audit of Internal Controls over File Transfers and Balancing

OBJECTIVES: To determine whether: (1) internal controls over the receipt of taxes and fees from external files are adequate and operating effectively in accordance with established policies and procedures and (2) payments and returns from outside sources are posted accurately to taxpayer's accounts.

JUSTIFICATION: Currently, 90% of the payments received by OTR are processed by lockbox operations. The lockbox operations transmits files to OTR electronically which are then downloaded to the Integrated Tax System. OIO has not looked at the process used to ensure that the information on the files balance to the information downloaded to accounts.

STRATEGIC OBJECTIVES: Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues.

No. 3 (OTR)

STATUS: Start FY 2017

TITLE: Audit of Internal Controls over Real Property Tax Administration Adjustments

OBJECTIVES: The overall objective of the audit is to determine whether adjustments are properly supported, authorized, and posted to taxpayer accounts.

JUSTIFICATION: The Assessment Services Division has an adjustment unit that is responsible for entering adjustments to property accounts on behalf of the administration. Adjustments can be due to, but not limited to, billing errors and posting errors. Adjustments are inherently high risk and should be audited on a routine basis.

STRATEGIC OBJECTIVES: Effectively Manage Risk to Prevent Fraud and Losses

No. 4 (OTR)

STATUS: Start FY 2017

TITLE: Audit of Internal Controls over the Office of Tax and Revenue Collections Division Case Management Process

OBJECTIVES: The overall objectives of the audit are to determine whether: (1) the Collections Division is in compliance with Federal and District Government statutes and regulations related to the collection of debts; and (2) adequate internal controls exist over the case management process.

JUSTIFICATION: Maintaining an effective and efficient collection process for delinquent taxpayers is critical to ensuring that all possible revenues are collected. The Collection Division is tasked with the responsibility of ensuring that all of the District Government's taxpayers file timely returns and pay the proper amount of tax, regardless of the amount owed. Collections case inventory can be handled internally and externally (outsourcing). As of September 30, 2015, the District reported that it had tax receivables of \$324,997,000 (net).²

STRATEGIC OBJECTIVES: Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues.

² This amount is from the FY 2015 Comprehensive Annual Financial Report and is composed of real property taxes in addition to business and individual tax debts. The Collections Division is not responsible for the collection of delinquent real property taxes.

No. 5 (OTR)

STATUS: Start FY 2017

TITLE: Audit of Internal Controls over the Lower Income Home Ownership Tax Abatement Program

OBJECTIVES: The objective of the audit is to determine if properties that are receiving the abatement are in compliance with the income requirements and provisions of the legislation.

JUSTIFICATION: The Lower Income Home Ownership Abatement Program abates all property tax for the first five years of ownership. D.C. Code § 47-3503 (a, b, and c) requires the exemption of lower income home ownership recipients from: (1) deed recordation tax; (2) transfer tax; and (3) real property tax. To qualify for this exemption, the taxpayer must meet household income requirements as set forth by the law. The exemption for the real property tax is effective until the end of the fifth tax year following the year in which the property was transferred. Prior audits by OIO and the DC Inspector General have revealed that OTR was not always effective in monitoring compliance and eligibility with homestead exemption requirements.

STRATEGIC OBJECTIVES:

Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues

No. 6 (OTR)

STATUS: Ongoing

TITLE: Audit of Internal Controls over the Office of Tax and Revenue Audit Division Case Management Process

OBJECTIVES: The objectives of the audit are to: (1) determine whether the Audit Division complied with the applicable District tax laws and regulations as well as internal policies and procedures, (2) Evaluate the internal controls over the case management process for audits and examinations; (3) evaluate the factors for case selection of audits and examinations; and (4) follow-up on prior OIO audit recommendations.

JUSTIFICATION: This follow-up audit provides OCFO management with an update on the implementation status of the accepted recommendations and the alternative corrective actions.

STRATEGIC

OBJECTIVES: Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues

No. 7 (OTR)

STATUS: Ongoing

TITLE: Audit of Internal Controls over the OTR Clean Hands Tax Certification

OBJECTIVES: The overall objective of this audit is to determine whether the clean hands certification is granted in accordance with applicable laws and regulations.

JUSTIFICATION: DC Code § 47-2862(a), requires individuals and businesses to obtain a Clean Hands certificate from the OTR before receiving a license or permit law. In order to receive goods or services from the District, an individual or business taxpayer cannot owe more than \$100.00 for fees, fines, taxes or penalties. It is used as an enforcement tool in the collection of delinquent District taxes and reinforces the requirement that all debts to the District government be satisfied before receiving a District issued license or permit.

STRATEGIC

OBJECTIVES: Improve Customer Service; Manage a Fair and Equitable System to Fully Collect District Revenues

Office of Finance and Treasury (OFT)

No. 8 (OFT)

STATUS: Start FY 2017

TITLE: Audits of Internal Controls over iNovah Transaction Processing

OBJECTIVES: The objective of the audit is to evaluate transactions processed through iNovah and determine whether they were processed in accordance with established policies and procedures, whether voided transactions were properly justified and approved, and whether the agency is using a standardized methodology to assign account numbers.

JUSTIFICATION: iNovah is a browser based software package that provides the District with point of sale revenue collection and processing capability at various locations throughout the city. The system is capable of pro-

cessing cash, credit card, and check transactions. It also has the capability to scan and deposit checks into the District's bank account. The system interfaces with the Districts financial systems to automatically update the financial records and is used through the District cashiering locations.

A prior audit of cashiering operations identified unjustified and unapproved voided transactions and inconsistent assignment of account numbers in iNovah that resulted in undercharges of license fees, and made iNovah's audit query capabilities ineffective.

STRATEGIC OBJECTIVES:

Improve Customer Service; Create a Culture of Continuous Improvement; Effectively Manage Risk to Prevent Fraud and Losses

No. 9 (OFT)

STATUS: Start FY 2017

TITLE: Audit of the Office of Finance and Treasury's Central Collections Unit (CCU) Operations

OBJECTIVES: The overall objective of this audit is to assess the effectiveness of internal controls over the collection process.

JUSTIFICATION: The Council passed the "Delinquent Debt Recovery Emergency Act of 2012," effective June 19, 2012. This Act authorized the Chief Financial Officer of the District of Columbia to create the Central Collection Unit (CCU) under the Office of Finance and Treasury (OFT). The CCU started operating in FY 2014 and is managed by a Contractor and an OFT Accountant. The CCU has so far collected about \$27 million dollars in delinquent debt. The CCU has been functioning for approximately two years but has never been audited by OIO.

STRATEGIC OBJECTIVES:

Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses

No. 10 (OFT)

STATUS: Start FY 2017

TITLE: Audits of Internal Controls at the Office of Finance and Treasury's Cashiering Operations

OBJECTIVES: The overall objective is to determine the effectiveness of internal control policies and procedures over the cashiering operations at various sites.

JUSTIFICATION: OFT Cashiering Operations has taken on new responsibilities related to Kiosk operations and Gift Cards custody and distribution. The controls over these operations have not been assessed for design adequacy and proper implementation. This audit will provide reasonable assurance that proper internal control policies and procedures are in place to prevent and detect misappropriation of the District's funds.

STRATEGIC OBJECTIVES: Improve Customer Service; Create a Culture of Continuous Improvement; Effectively Manage Risk to Prevent Fraud and Losses

Lottery and Charitable Games Board (DCLB)

No. 11 (DCLB)

STATUS: Start FY 2017

TITLE: Follow-up Audit of Internal Controls over the DCLB Instant Ticket Inventory Process

OBJECTIVES: The objectives of this audit are to: (1) determine whether DCLB has adequate internal controls in place over the instant tickets inventory process and (2) assess the current inventory methods of receiving, distributing and tracking processes of instant tickets at DCLB

JUSTIFICATION: The external auditors reported the DCLB instant ticket as a significant deficiency in the FY 2014 independent auditor's report as the Lottery did not warehouse or distribute instant scratch tickets prior to August 2013. During the transition period when DCLB assumed the Warehousing and distribution function for instant scratch tickets, DCLB Pick and Pack staff noticed that a specific retail agent had been purchasing tickets in large quantities without activating the tickets so that DCLB could not invoice the retail agent. DCLB investigated the matter and put measures in place to prevent retail agents from ordering excessive amounts of tickets. We reviewed the new process and issued our final report on the instant ticket process on July 14, 2015 (OIO-15-01-03-DCLB); however, we did not perform substantive test of transactions as the new process for instant tickets was not fully implemented until May 20, 2015.

STRATEGIC OBJECTIVES: Improve Customer Service; Create a Culture of Continuous Improvement

No. 12 (DCLB)

STATUS: Start FY 2017

- TITLE:** Audit of DCLB’s Implementation of the Best Practices Recommendations
- OBJECTIVES:** The objectives of this audit are to: (1) determine whether DCLB has implemented all of the Recommendations of the “Best Practices Review Report of the DC Lottery – February 26, 2016” done by Delehanty Consulting LLC, and (2) assess whether the implemented recommendations have achieved the intended process improvements and mitigated the noted internal control deficiencies.
- JUSTIFICATION:** The Delehanty’s “Best Practices Review Report of the DC Lottery – February 26, 2016” highlighted operational shortfalls and internal control deficiencies of the DCLB when compared with other lotteries in North America. Our audit will determine whether the Lottery has implemented the Report Recommendations and evaluate whether the implemented processes and internal controls have achieved the intended results effectively and efficiently.
- STRATEGIC OBJECTIVES:** Effectively Manage Risk to Prevent Fraud and Losses; Create a Culture of Continuous Improvement
-

Office of Financial Operations and Systems (OFOS)

No. 13 (OFOS)

STATUS: Start FY 2017

- TITLE:** Agreed-Upon Procedures between the Office of Financial Operations and Systems (OFOS) and the Office of Integrity and Oversight (OIO) Regarding the FY 2017 Quarterly Independent Monitoring of SOAR Journal Entries
- OBJECTIVES:** The objectives of the agreed-upon procedures engagement are to determine whether: (1) journal entries posted and approved by the same OCFO employees are valid and correct; and (2) effective internal controls are in place to compensate for the risk posed by lack of separation of duties.
- JUSTIFICATION:** This quarterly agreed-upon procedures engagement was requested by the Office of Financial Operations and Systems (OFOS) as a result of internal control deficiencies reported by the external auditor in FYs
-

2013 and 2014. The external auditor recommended that management should implement an ongoing independent monitoring over the journal entries posted and approved by the same OCFO employees.

**STRATEGIC
OBJECTIVES:**

Effectively Manage Risk to Prevent Fraud and Losses, and Create a Culture of Continuous Improvement

No. 14 (OFOS)

STATUS: Ongoing

TITLE:

Agreed-Upon Procedures between the Office of Financial Operations and Systems (OFOS) and the Office of Integrity and Oversight (OIO) Regarding the FY 2016 Quarterly Independent Monitoring of SOAR Journal Entries [Job No. 16-02-20 OFOS]

OBJECTIVES:

The objectives of the agreed-upon procedures engagement are to determine whether: (1) journal entries posted and approved by the same OCFO employees are valid and correct; and (2) effective internal controls are in place to compensate for the risk posed by lack of separation of duties.

JUSTIFICATION:

This quarterly agreed-upon procedures engagement was requested by the Office of Financial Operations and Systems (OFOS) as a result of internal control deficiencies reported by the external auditor in FYs 2013 and 2014. The external auditor recommended that management should implement an ongoing independent monitoring over the journal entries posted and approved by the same OCFO employees.

**STRATEGIC
OBJECTIVES:**

Effectively Manage Risk to Prevent Fraud and Losses, and Create a Culture of Continuous Improvement

Regulatory Audits

No. 15 (Regulatory)

STATUS: Start FY 2017

TITLE:

Audit of the Inmate Welfare Fund Financial Statements for the Fiscal Year Ended September 30, 2016

OBJECTIVES:

The objectives of the audit are to: (1) express an opinion on the financial statements of the Fund; (2) determine whether expenditures/costs charged to the Fund were proper; (3) determine whether internal controls over Fund transactions and financial reporting were adequate; and

(4) determine whether the Fund is administered in accordance with laws and regulations.

JUSTIFICATION: This audit is required pursuant to D.C. Code § 24-282. Section 24-282 (e) states, in pertinent part: The Fund shall be subject to annual audits scheduled by the Office of the Chief Financial Officer, which shall be submitted to the Council no later than February 1 of each year. The scope of audit shall include an examination of the Department's use of Fund profits, including stocking the commissaries, low bond releases, providing inmate clothing upon release, and funding transportation costs for the inmate after release. The audit reports shall be submitted to the Council and the Mayor.

STRATEGIC OBJECTIVES: Improve the Transparency and Quality of Information; Effectively Manage Risk to Prevent Fraud and Losses

No. 16 (Regulatory)

STATUS: Start FY 2017

TITLE: Audit of the New Columbia Statehood Fund Statement of Revenues and Expenditures for the Fiscal Year Ended September 30, 2016

OBJECTIVES: The objectives of the audit are to: (1) express an opinion on the Statement of Revenues and Expenditures; (2) determine whether expenditures/costs charged to the Fund were proper; (3) determine whether internal controls over Fund transactions and financial reporting were adequate; and (4) determine whether the Fund is administered in accordance with laws and regulations.

JUSTIFICATION: This audit is required pursuant to D.C. Law 20-271, which states: "All revenues and expenses of the New Columbia Statehood Fund shall be audited annually by the Chief Financial Officer, who shall transmit the audit to the Mayor and the Council. The expenses of the annual audit shall be defrayed by the New Columbia Statehood Fund."

STRATEGIC OBJECTIVES: Improve the Transparency and Quality of Information

No. 17 (Regulatory)

STATUS: Start FY 2017

TITLE: Audit of the Office of Public Charter School Financing and Support Statement of Revenues and Expenditures for the Fiscal Year Ended September 30, 2016

OBJECTIVES: The objectives of the audit are to: (1) express an opinion on the Statement of Revenues and Expenditures of the Fund; (2) determine whether internal controls over Fund transactions and financial reporting were adequate; and (3) determine whether the Fund is administered in accordance with laws and regulations.

JUSTIFICATION: Pursuant to Public Law 108-335 which states: “The Office of the Chief Financial Officer shall conduct an annual audit of the funds expended by the Office and provide an annual financial report to the Mayor, the Council of the District of Columbia, the Office of the District of Columbia Treasurer and the Committees on Appropriations of the House of Representatives and Senate for these funds showing, by object class, the expenditures made and the purpose thereof.

STRATEGIC OBJECTIVES: Improve the Transparency and Quality of Information

No. 18 (Regulatory)

STATUS: Ongoing

TITLE: Audit of the Office of Public Charter School Financing and Support Statement of Revenues and Expenditures for the Fiscal Year Ended September 30, 2015 [Job No. 16-02-17 OSSE]

OBJECTIVES: The objectives of the audit are to: (1) express an opinion on the Statement of Revenues and Expenditures of the Fund; (2) determine whether internal controls over Fund transactions and financial reporting were adequate; and (3) determine whether the Fund is administered in accordance with laws and regulations.

JUSTIFICATION: Pursuant to Public Law 108-335 which states: “The Office of the Chief Financial Officer shall conduct an annual audit of the funds expended by the Office and provide an annual financial report to the Mayor, the Council of the District of Columbia, the Office of the District of Columbia Treasurer and the Committees on Appropriations of

the House of Representatives and Senate for these funds showing, by object class, the expenditures made and the purpose thereof.

STRATEGIC

OBJECTIVES: Improve the Transparency and Quality of Information

OCFO/DISTRICT-WIDE AUDITS

No. 19 (OCFO/District-Wide)

STATUS: Start FY 2017

TITLE: Office of Cable Television Film Music and Entertainment Financial (OCTFME) Transaction Analysis

OBJECTIVES: The objectives of the audit are to determine whether: (1) Purchase card transactions were made in compliance with District regulations; and (2) PEG funds were used in accordance with laws and regulations

JUSTIFICATION: The Office of Cable Television merged with the Office of Motion Pictures in FY 2016. With this merger, the Agency Director requested a review of specific expenditures prior to the merger and related internal controls.

STRATEGIC

OBJECTIVES: Create a Culture of Continuous Improvement; Effectively Manage Risk to Prevent Fraud and Losses.

No. 20 (OCFO/District-Wide)

STATUS: Start FY 2017

TITLE: Follow-up on the Audit of Internal Controls over the Gift Card Program at Selected Agencies of the Human Support Services Cluster (HSSC)

OBJECTIVES: The objectives of this audit are to: (1) determine if recommendations were implemented from our report issued in November 2015; (2) determine if agencies that were not previously selected for the HSSC complied with applicable laws and regulations.

JUSTIFICATION: In our prior audit we reviewed specific programs within the Department of Youth Rehabilitation Services, Child and Family Services Agency, Department of Human Services. We found that the HSSC did not test the quarterly physical inventory against the agencies' inventory to validate the results of the inventory counts; did not maintain complete and accurate inventory records and documentation of

gift cards; and did not review the Monthly Inventory Reconciliation reports to ensure completeness and accuracy. We issued six recommendations to address the deficiencies noted. The HSSC agreed with the recommendations and stated that they took the necessary actions to address the findings; therefore, we will perform testing to ensure the implementation of corrective actions.

STRATEGIC OBJECTIVES:

Effectively Manage Risk to Prevent Fraud and Losses; Create a Culture of Continuous Improvement

No. 21 (OCFO/District –Wide)

STATUS: Start FY 2017

TITLE:

Compliance Audit of Cash Management at the Child and Family Services Agency (CFSA)

OBJECTIVE:

The objective of the audit is to determine whether selected Grant Receiving Agencies are in compliance with the Uniform Grant Guidance/2016 Compliance Supplement for Cash Management in the fiscal year 2016.

JUSTIFICATION:

The risk exists that the Grant Receiving Agencies are non-compliant with the Uniform Grant Guidance for Cash Management (for FY 2015 – CFSA). The probability of occurrence is considered high because there were instances of non-compliance in prior years. Repeated findings could potentially lead to a more onerous drawdown method i.e., changing the agency's drawdown from the advance/reimbursement to the preapproval method and ultimately reduce the District future grant funding.

STRATEGIC OBJECTIVES:

Create a Culture of Continuous Improvement; Effectively Manage Risk to Prevent Fraud and Losses.

No. 22 (OCFO/District –Wide)

STATUS: Start FY 2017

TITLE: Compliance Audit of Cash Management at the Department of Housing and Community Development (DHCD)

OBJECTIVE: The objective of the audit is to determine whether selected Grant Receiving Agencies are in compliance with the Uniform Grant Guidance/2016 Compliance Supplement for Cash Management in the fiscal year 2016.

JUSTIFICATION: The risk exists that the Grant Receiving Agencies are non-compliant with the Uniform Grant Guidance for Cash Management (for FY 2014 – DHCD). The probability of occurrence is considered high because there were instances of non-compliance in prior years. Repeated findings could potentially lead to a more onerous drawdown method i.e., changing the agency’s draw-down from the advance/reimbursement to the preapproval method and ultimately reduce the District future grant funding.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Effectively Manage Risk to Prevent Fraud and Losses.

No. 23 (OCFO/District –Wide)

STATUS: Start FY 2017

TITLE: Audit of Internal Controls over the Vendor Master File

OBJECTIVE: The objective of the audit is to determine the adequacy of internal controls over the addition, deletion, and modification of vendor records.

JUSTIFICATION: The vendor master file contains pertinent vendor information that is used by SOAR to process payments. Previous audits revealed instances of returned payments due to incorrect addresses and incorrect names which may indicate errors in the master file.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Effectively Manage Risk to Prevent Fraud and Losses.

NON-AUDIT SERVICES

No. 24 (Non-Audit Services)

STATUS: Start FY 2017

TITLE: Follow-up Procedures of the FY 2016 Independent Auditor's Report on Internal Control over Financial Reporting and the Comprehensive Annual Financial Report (CAFR) Management Letter

OBJECTIVES: The objectives of this follow-up are to: (1) monitor the agencies progress in addressing problems noted in the Management Letter and Internal Control Compliance reports issued by the external auditors; (2) determine whether findings have been satisfactorily resolved or are still outstanding; and (3) perform test work to ensure that the agency is actually addressing those findings.

JUSTIFICATION: The Office of Financial Operations and Systems obtains corrective action plans from effected agencies to mitigate the deficiencies identified by external auditors. As the corrective actions are completed, the OFOS contacts OIO to perform testing of the actions taken to verify that the deficiency is properly remediated.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Improve Transparency and Quality of Information

CONTRACT ADMINISTRATION

Contract Administration

- CONTRACT NO.:** CFOPD- 16-C-014: Single Audi ServicesFY2015-FY2019
- TITLE:** Single Audit Coordination of the District's FY 2015- FY 2019 Single Audit Contract
- OBJECTIVES:** The objectives of this project are to: (1) prepare the FY 2016 Schedule of Expenditures of Federal Awards (SEFA) for submission to the external auditors in accordance with the requirements as outlined in the Uniform Grant Guidance and the Federal Audit Clearinghouse Data Collection Form for Single Audit Submission. ; (2) prepare the Summary Schedule of Prior Audit Findings and Management Corrective Action Plan for submission to the external auditors; (3) follow-up on single audit issues, including alerting agencies on the consequences for not providing the requested documentation to the external auditors; (4) follow-up on Cognizant Federal Agency and other Federal Grantor Agencies communications on the Single Audit findings; and (5) prepare for the Single Audit reporting phase close-out, including submission of the Federal Form – SF-SAC (Data Collection Form) to the Federal Audit Clearinghouse. (6) Fulfill the functions of the COTR for the Single Audit contract including: (1) monitoring the independent accountants conducting the audit; (2) assisting in resolution of the issues impacting the Single Audit with the contactors, Single Audit Committee, and the agencies who are recipients of the grant funding. This project does not produce a specific report for the oversight function. It is critical to the management of the contract.
- JUSTIFICATION:** The Single Audit is mandated by law for agencies that receive federal financial assistance. The OCFO is responsible for the contracting of the required Single Audit of the District's Federal grant funds. OIO was tasked with the responsibility of acting as the COTR for this contract.
- STRATEGIC OBJECTIVES:** Improve Transparency and Quality of Information