

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u> Reporting	<u>Questioned Costs</u> Not Determinable
2005-12	U.S. Department of Education Vocational Rehabilitation Grants to States CFDA Number 84.126		

Criteria or Specific Requirement – 34 CFR 80.20(a)(1), requires DHS to establish fiscal control and accounting procedures sufficient to permit preparation of reports required for the program.

Condition – There were no schedules presented during the audit to verify the information reported in the RSA-2 report. This report is prepared by the program office and presents certain statistical data relative to the program.

Context – Condition identified per review of DHS' compliance with the grantor agency's reporting requirements.

Effect – The information reported may not present an accurate account of the program's activities. In addition, weak internal controls over maintenance of supporting documentation could lead to disallowed costs.

Cause – The process of documenting and monitoring compliance with this specific grant requirement was not functioning as intended.

Recommendation – All transactions and reports should be supported by documentation identifying the source of the information. The support should be maintained with a copy of the report for review.

Views of Responsible Officials and Planned Corrective Actions – Data used in the RSA-2 report are gathered manually to reflect the number served and total dollars expended. Each category may not be exact due to lack of the Client Rehabilitation Information System (CRIS) being fully automated at this time. However, the CRIS is being reprogrammed to capture this information accurately. Currently, there is no link between CRIS and SOAR for the number of persons by service category.

RSA will follow all of the recommendations made and will gather all data so that information on the RSA-2 can be verified and documented.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance Reporting</u>	<u>Questioned Costs</u>
2005-13	U.S. Department of Education Vocational Rehabilitation Grants to States CFDA Number 84.126		Not Determinable

Criteria or Specific Requirement – All of the aforementioned programs have certain due dates for their financial and program related reports.

Condition – We noted 1 Financial Status Report (SF-269) was not submitted timely.

Context – Condition identified per review of DHS' compliance with the grantor agencies' reporting requirements.

Effect – DHS is not in compliance with reporting requirements. Failure to submit reports timely may result in reductions in grant awards.

Cause – Some of the data in the reports is program-related information. If the program managers do not submit the information timely, it will delay the submission of reports.

Recommendation – DHS must strengthen its controls to ensure reports are submitted timely as established by the respective federal agency's reporting requirements.

Views of Responsible Officials and Planned Corrective Actions – Although the financial status reports are prepared by the staff within the Department of Human Services - Office of the Chief Financial Office, the reports do contain programmatic information. The program information required to complete the report was not received timely resulting in a late submission. However to prevent future late submission, the following corrective plan will be implemented:

- a. 10 days prior to the due date of the report, the program will be sent an e-mail reminding them of the programmatic information required to complete the report. This e-mail will request that the information be provided within the next 5 five business days.
- b. A log will be maintained of the due date of each financial status report and will be signed off by the Supervisory Accountant upon the completing the review of the reports. This log will be reviewed by Accounting Officer and the AFO to ensure that all reports have been completed and reviewed and is ready for signature and subsequent mailing.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-14	Social Security Administration Social Security – Disability Insurance CFDA Number 96.001	Reporting	Not Determinable

Criteria or Specific Requirement – All of the aforementioned programs have certain due dates for their financial and program related reports.

Condition – We noted 2 Financial Status Reports (SSA-45-13) and 1 Time Report (SSA-45-14) were not submitted timely.

Context – Condition identified per review of DHS' compliance with the grantor agencies' reporting requirements.

Effect – DHS is not in compliance with reporting requirements. Failure to submit reports timely may result in reductions in grant awards.

Cause – Some of the data in the reports is program-related information. If the program managers do not submit the information timely, it will delay the submission of reports.

Recommendation – DHS must strengthen its controls to ensure reports are submitted timely as established by the respective federal agency's reporting requirements.

Views of Responsible Officials and Planned Corrective Actions – Although the financial status reports are prepared by the staff within the Department of Human Services - Office of the Chief Financial Office, the reports do contain programmatic information. The program information required to complete the report was not received timely resulting in a late submission. However to prevent future late submission, the following corrective plan will be implemented:

- a. 10 days prior to the due date of the report, the program will be sent an e-mail reminding them of the programmatic information required to complete the report. This e-mail will request that the information be provided within the next 5 five business days.
- b. A log will be maintained of the due date of each financial status report and will be signed off by the Supervisory Accountant upon the completing the review of the reports. This log will be reviewed by Accounting Officer and the AFO to ensure that all reports have been completed and reviewed and is ready for signature and subsequent mailing.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-15	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care Development Fund CFDA Number 93.596	Reporting	Not Determinable

Criteria or Specific Requirement – All of the aforementioned programs have certain due dates for their financial and program related reports.

Condition – We noted 1 Financial Status Report (ACF-696) was not submitted timely.

Context – Condition identified per review of DHS' compliance with the grantor agencies' reporting requirements.

Effect – DHS is not in compliance with reporting requirements. Failure to submit reports timely may result in reductions in grant awards.

Cause – Some of the data in the reports is program-related information. If the program managers do not submit the information timely, it will delay the submission of reports.

Recommendation – DHS must strengthen its controls to ensure reports are submitted timely as established by the respective federal agency's reporting requirements.

Views of Responsible Officials and Planned Corrective Actions – Although the financial status reports are prepared by the staff within the Department of Human Services - Office of the Chief Financial Office, the reports do contain programmatic information. The program information required to complete the report was not received timely resulting in a late submission. However to prevent future late submission, the following corrective plan will be implemented:

- a. 10 days prior to the due date of the report, the program will be sent an e-mail reminding them of the programmatic information required to complete the report. This e-mail will request that the information be provided within the next 5 five business days.
- b. A log will be maintained of the due date of each financial status report and will be signed off by the Supervisory Accountant upon the completing the review of the reports. This log will be reviewed by Accounting Officer and the AFO to ensure that all reports have been completed and reviewed and is ready for signature and subsequent mailing.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
------------	----------------	-------------------------------	-------------------------

2005-16

This finding # was not used.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-17	U.S. Department of Agriculture (USDA) State Administrative Matching Grants for Food Stamp Program CFDA Number 10.561	Special Tests and Provisions: ADP System for Food Stamps	Not Determinable

Criteria or Specific Requirement – State agencies are required to automate their Food Stamp Program operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning the Food Stamp Program (7 CFR sections 272.10 and 277.18).

- As a best practice, there should be a separation of duties covering the initiation, update, and review of key functions such as table updates.
- Sound internal control require a formal review and approval process prior to updating the ACEDS table in the production environment to ensure that the utility allowance computations applicable to District residents is accurate and properly authorized.

Condition – There was no segregation of duties to ensure that new ACEDS table preparation, table update (data entry), and review were done by separate persons.

Further, there was no documented evidence of the utility allowance computation for fiscal year 2005 as having been reviewed by FNS or the Administrator's office prior to being entered in the ACEDS production environment.

Context – Condition identified per review of DHS' compliance with specified requirements.

Effect – Reliance on one individual for the completion of this entire cycle might result in errors going undetected.

Cause – Management provided for one full-time person to operate the table update function and to carry out the utility allowance computation. An additional resource is, however, under training to assist with this function.

Recommendation – The table update function needs to be reviewed by at least one other person. Evidence of this review should be in the form of a sign-off on the screen shots of the tables before and after the change. The utility allowance computation needs to be reviewed by at least one other person with sufficient documentation maintained as evidence of this control.

Views of Responsible Officials and Planned Corrective Actions – The process for calculating and implementing the Food Stamp Standard Utility Allowance involves several levels of review. The initial data gathering and calculation is done by a member of the ACEDS staff. The summary is reviewed by the Deputy Administrator for Information Systems and by the Policy Unit.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

It is then submitted to the Administrator's Office for review and submission to the Office of the Director. From that office, the report is submitted to FNS. It should be noted that FNS approval of the Utility Standard is no longer required.

We provided documents associated with the calculations for fiscal year 2005 and fiscal year 2006. The cover memorandum from the IMA Administrator to the DHS Director implies review of the document at the administrator level. Documents associated with the fiscal year 2006 utility standard demonstrate that while FNS does not have to approve the standard, it is reviewed at the regional office level.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-18	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218	Allowable Costs	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 cost principles state that charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, should be based on payroll documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the government entity.

Condition – There was no appropriate documentation to support payroll costs as specified by OMB Circular A-87 for any of the 15 employees selected by us for testing.

Context – This is a recurring issue from prior years and is a condition identified per review of DHCD's compliance with specified requirements. Total payroll costs for the sample selected were \$929,798. Total payroll expenditures charged to the program for fiscal year 2005 were \$7,846,808.

Effect – DHCD is not in compliance with the payroll effort reporting and certification requirements of OMB Circular A-87.

Cause – Management has not incorporated a formal process to allocate hours worked by employees among the various programs on which the employees worked.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Views of Responsible Officials and Planned Corrective Actions – Beginning October 1, 2005, DHCD implemented a time allocation system that would allow DHCD to be in compliance with the requirements of OMB Circular A-87.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-19	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218	Allowable Costs	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87, Attachment A, states in Section H that:

1. No proposal to establish a cost allocation plan or an indirect cost rate proposal, whether submitted to a federal cognizant agency or maintained on file by the governmental unit shall be acceptable unless such costs have been certified by the governmental unit using the Certificate of Cost Allocation Plan as attached in the Circular.
2. No cost allocation plan or indirect cost rate shall be approved by the federal government unless the plan or rate proposal has been certified. Where it is necessary to establish a cost allocation plan or an indirect cost rate and the governmental unit has not submitted a certified proposal for establishing such plan or rate in accordance with the requirements, the federal government may either disallow all indirect costs or unilaterally established such a plan or rate.

Condition – DHCD does not have an approved cost allocation plan on file as required by OMB Circular A-87.

Context – This is a recurring issue from prior years and is a condition identified per review of DHCD's compliance with specified requirements.

Effect – DHCD is not in compliance with the requirements of OMB Circular A-87 related to cost allocation plans.

Cause – Management has not incorporated a formal process to obtain the required approval from its cognizant agency.

Recommendation – We recommend that DHCD management ensure that a certified and approved cost allocation plan is maintained on file for all indirect costs charged to federal program(s).

Views of Responsible Officials and Planned Corrective Actions – DHCD has completed a cost allocation plan for fiscal year 2005. This plan will be forwarded to DHCD's cognizant agency, the Department of Housing and Urban Development (HUD), upon obtaining approval from the agency director and agency compliance office staff.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-20	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218	Program Income	Not Determinable

Criteria or Specific Requirement – Sound financial management practices require entities to record transactions and perform account reconciliations in a timely manner.

Condition – DHCD has contracted with a financial institution to perform its loan servicing function. It has also entered into an agreement with a community based organization to perform the community outreach, loan application, and loan approval process. Both of these organizations provide DHCD with monthly reports detailing activity. The loans receivable balances are reconciled and adjusted only at year-end. Cash activity related to loans (i.e. collections and loan issuances) is recorded during the year. However, because the loan balances are adjusted only at year-end, there is no corresponding balancing entry to loans. Therefore, it is possible for the loan or cash transaction to be recorded to another program, which has occurred. The reconciliation procedures in place are not effective to prevent an out-of-balance condition.

Context – This is a condition identified per review of DHCD's compliance with specified requirements.

Effect – It is possible for transactions to be recorded to the incorrect program. In addition, the general ledger cannot be used to produce accurate financial statements without significant adjustments that are identified through the financial statement audit process.

Cause – Transactions are not recorded timely. The reconciliation procedures in place are not effective to prevent an out-of-balance condition.

Recommendation – DHCD should use reports received from the service and community-based organizations to record information in the general ledger on a timely basis.

Views of Responsible Officials and Planned Corrective Actions – DHCD does acknowledge problems in the timely receipt and recording of information from the loan servicer; the agency has worked hard to ensure that activity is recorded accurately on the general ledger in order to meet audit timelines. In addition, DHCD is currently reviewing the procedures in place and is planning to implement additional procedures for the review of activity during the last quarter of the year, focusing on the month of September. Reviews of the monthly reconciliations processed during the year indicate that this appears to be where most of the problems have occurred due to the straddling of activities over two fiscal years.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-21	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 indicates that a grantee must (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Condition – Pursuant to the Redevelopment Land Agency – RLA Revitalization Corporation Transfer Act of 2001 (the Act), all of the RLA assets were transferred to the RLA Revitalization Corporation ("RLA") in 2001. RLA is a subsidiary of the National Capital Revitalization Corporation.

Pursuant to the Act and as a condition precedent to disbursement of the CDBG funds, including program income, DHCD and RLA entered into a subrecipient agreement. Based on the agreement, RLA is an eligible subrecipient of CDBG program assets and income. RLA performs the property management functions regarding the RLA assets and collects cash receipts. In addition, RLA performs the property disposition functions regarding the RLA assets and collects sales proceeds. The proceeds received from the management or disposition of the RLA assets are program income to be used in accordance with CDBG regulations. RLA previously received program income of over \$5 million which is available for its use based on eligible CDBG activities.

The agreement between DHCD and RLA does not require RLA to have an annual OMB Circular A-133 audit. There was no evidence that RLA had such an audit for fiscal year 2005. In addition, there was no evidence that DHCD conducted any type of monitoring during fiscal year 2005. RLA did submit quarterly financial reports to DHCD during the year.

Context – This is the only instance of this issue noted during the audit process.

Effect – Lack of monitoring during the fiscal year could result in subrecipients not using federal funds for the purposes that DHCD or the federal agency intends. This could lead to improper usage and/or waste of the funds and increases the fraud risks.

Cause – DHCD did not adhere to policies and procedures to comply with the requirements of OMB Circular A-133 for subrecipient monitoring.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Recommendation – DHCD should consider establishing various monitoring procedures, including the performance of site visits, to ensure that RLA is administering Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. The site visits should be documented with the following information maintained in the subrecipient monitoring files:

- Date and scope of review
- Person(s) performing the review
- Procedures performed
- Findings
- Corrective action plan
- Follow-up on corrective action plan

In addition, DHCD should ensure that the appropriate language is added to agreements with subrecipients who receive federal awards and establish safeguards to ensure that all subrecipients have an OMB Circular A-133 audit, as appropriate.

Views of Responsible Officials and Planned Corrective Actions – DHCD is in the process of negotiating a new subrecipient agreement with the NCRC/RLARC for fiscal year 2006/2007 and will include such language in the agreement.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-22	U.S. Department of Health and Human Services	Allowable Costs	\$141,892
	HIV Emergency Relief Project Grants CFDA Number 93.914		
	HIV Care Formula Grants CFDA Number 93.917		
	Centers for Disease Control and Prevention- Investigations /Technical Assistance CFDA Number 93.283		
	HIV Prevention Activities CFDA Number 93.940		
	Block Grants for Prevention and Treatment of Substance Abuse CFDA Number 93.959		
	Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778		
	Maternal and Child Health Services Block Grant to the States CFDA Number 93.994		

Criteria or Specific Requirement – OMB Circular A-87, attachment B, Section 11 Paragraph h. (item 3) requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by period certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

OMB Circular A-87, attachment B, Section 11 Paragraph h. (item 4) requires that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

Condition – DOH is not in compliance with OMB Circular A-87.

- 1) The following condition was noted in the HIV Emergency Relief Project Grants program: 6 of the 18 employees sampled were improperly excluded from the semi-annual A-87 certification.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Additionally, 1 of the 18 employees was included in the semi-annual A-87 certification for the HIV Prevention Activities Grants but the employee's salary was charged to the HIV Emergency Relief Project Grants.

The total amount of annual salaries of the 6 employees excluded and the 18 employees sampled was \$399,773 and \$1,041,913, respectively. The total amount of the annual salaries of employees included in the A-87 certification was \$1,213,908. Since some of the employees in the A-87 certification work on multiple activities, the total payroll costs charged to the grant were \$992,436.

- 2) The following condition was noted in the HIV Care Formula Grants program: 2 of the 13 employees sampled were improperly excluded in the semi-annual A-87 certification. Additionally, 1 of the 13 employees was included in the semi-annual A-87 certification for the HIV Prevention Activities Grants but the employee's salary was charged to the HIV Care Formula Grants.

The total amount of annual salaries of the 2 employees excluded and the 13 employees sampled was \$146,543 and \$806,504, respectively. The total amount of the annual salaries of employees included in the A-87 certification was \$1,972,236. Since some of the employees in the A-87 certification work on multiple activities, the total payroll costs charged to the grant were \$1,819,929.

- 3) The following condition was noted in the CDC-Investigations/Technical Assistance program: 2 of the 13 employees sampled were improperly excluded in the semi-annual A-87 certification. The total amount of annual salaries of the 2 employees excluded and the 13 employees sampled was \$168,630 and \$900,626, respectively.

The total amount of the annual salaries of employees included in the A-87 certification was \$3,664,331. Since some of the employees in the A-87 certification work on multiple activities, the total payroll costs charged to the grant were \$3,327,879.

- 4) The following condition was noted in the HIV Prevention Activities program: 3 of the 10 employees sampled were improperly excluded in the semi-annual A-87 certification. Additionally, 2 employees were included in the semi-annual certification for the HIV Prevention Activities Grant but the employees' salaries were charged to the HIV Emergency Relief Project Grants and HIV Care Formula Grants.

The total amount of annual salaries of the 3 employees excluded and the 10 employees sampled was \$219,188 and \$621,837, respectively. The total amount of the annual salaries of employees included in the A-87 certification was \$2,088,547. Since some of the employees in the A-87 certification work on multiple activities, the total payroll costs charged to the grant were \$2,802,389.

- 5) The following condition was noted in the Block Grants for Prevention and Treatment of Substance Abuse program: 1 of the 17 employees sampled was improperly excluded from the semi-annual A-87 certification. The total amount of annual salaries of the 1 employee excluded and the 17 employees sampled was \$70,083 and \$937,411, respectively.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

The total amount of the annual salaries of employees included in the A-87 certification was \$4,334,891. Since some of the employees in the A-87 certification work on multiple activities, the total payroll costs charged to the grant were \$5,244,691.

- 6) The following condition was noted in the Medical Assistance program: 1 of the 13 employees sampled were improperly excluded from the semi-annual A-87 certification. The total amount of annual salaries of the 1 employee excluded and the 13 employees sampled was \$59,169 and \$864,444, respectively.

The total amount of the annual salaries of employees included in the A-87 certification was \$6,539,106. Since some of the employees in the A-87 certification work on multiple activities, the total payroll costs charged to the grant were \$4,198,344.

- 7) The following condition was noted in the Maternal and Child Health Services Block Grant to the States program: 1 of the 11 employees sampled was improperly excluded from the semi-annual A-87 certification. The total amount of annual salaries of the 1 employee excluded and the 11 employees sampled was \$40,196 and \$654,405, respectively.

The total amount of the annual salaries of employees included in the A-87 certification was \$5,852,448. Since some of the employees in the A-87 certification work on multiple activities, the total payroll costs charged to the grant were \$4,010,680.

Context – This is a condition identified per review of DOH's compliance with specified requirements and a recurring issue from prior years.

A questioned cost of \$38,585 is attributable to the HIV Emergency Relief Project Grants program and represents the amount which was charged to the HIV Emergency Relief Project Grants but should have been charged to the HIV Prevention Activities Grants program.

A questioned cost of \$32,361 is attributable to the HIV Care Formula Grants program and represents the amount which was charged to the HIV Care Formula Grants but should have been charged to the HIV Prevention Activities Grants program.

Questioned costs of \$70,946 are attributable to the HIV Prevention Activities program and represent the amounts which were charged to the HIV Emergency Relief Project Grants and HIV Care Formula Grants, but should have been charged to the HIV Prevention Activities Grants program.

Questioned costs for the remaining programs are not determinable.

Effect – Failure to properly track expenditures can result in noncompliance with laws and regulations along with loss of funding.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs. In addition, costs charged to incorrect programs were not effectively monitored by a responsible official of DOH.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Views of Responsible Officials and Planned Corrective Actions – DOH is continuing a department-wide analysis of payroll records and position control systems (i.e. Schedule A and PeopleSoft) to verify that all employees are properly coded to their designated work area and to avoid omissions from the A-87 certification. The semi-annual (mid-fiscal year and year-end) certification process, which is required for each administration, will begin with a listing of all employees budgeted to the respective programs. The accounting division of the OCFO will then confirm that the listed employees are charged to the respective grants. These listings will be forwarded to each administration for certification to ensure that employees who worked on the specific grants are not omitted and employees who do not work on the grants are not included in the certification.

DOH will revisit the costs questioned and make the appropriate correction to the FSRs, if applicable.

In the case of the issue identified in *Block Grants for Prevention and Treatment of Substance Abuse* program, management does not concur with the finding. The employee in question retired on November 17, 2004. After retiring, the employee received a final payment for annual leave on December 23, 2004. The A-87 certifications were as of March 31, 2005 for personnel on board as of that date and again on September 30, 2005 for personnel on board as of that date. As such, the employee was correctly omitted from the A-87 certifications.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-23	U.S. Department of Housing and Urban Development Housing Opportunities for Persons with AIDS CFDA Number 14.241	Allowable Costs	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87, attachment B, Section 11 Paragraph h. (item 3) requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by period certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. OMB Circular A-87, attachment B, Section 11 Paragraph h. (item 4) requires that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

Condition – DOH is not in compliance with OMB Circular A-87. 2 of the 3 employees sampled were improperly excluded from the semi-annual A-87 certification. The total amount of annual salaries of the 2 employees excluded and the 3 employees sampled was \$117,083 and \$158,760, respectively.

The total amount of the annual salaries of employees included in the A-87 certification was \$526,523. Since some of the employees in the A-87 certification work on multiple activities, the total payroll costs charged to the grant was \$220,098.

Context – This is a condition identified per review of DOH's compliance with specified requirements and a recurring issue from prior years.

Effect – Failure to properly track expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Views of Responsible Officials and Planned Corrective Actions – DOH is continuing a department-wide analysis of payroll records and position control systems (i.e. Schedule A and PeopleSoft) to verify that all employees are properly coded to their designated work area and to avoid omissions from the A-87 certification. The semi-annual (mid-fiscal year and year-end) certification process, which is required for each administration, will begin with a listing of all employees budgeted to the respective programs. The accounting division of the OCFO will then confirm that the listed employees are charged to the respective grants. These listings will be forwarded to each administration for certification to ensure that employees who worked on the specific grants are not omitted and employees who do not work on the grants are not included in the certification.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-24	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778	Eligibility	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 has specific requirements for the Medical Assistance Program that defines in detail the eligibility requirements, supporting documentation requirements, and records retention policy. These requirements are also enumerated in relevant sections of the Code of Federal Regulations.

Condition – 1 of the 233 files requested from DOH was not provided with sufficient eligibility information. Accordingly, we were unable to test the eligibility requirements for this participant.

Context – This is a condition identified per review of DOH's compliance with specified requirements.

Effect – Ineligible participants may be receiving Medical Assistance Program benefits that they are not entitled to receive.

Cause – Participant files are maintained at several different locations instead of in a centralized location. This policy makes obtaining participant files a difficult task and leads to the increased possibility of misplacing participant files.

Recommendation – Policies and procedures should be developed to centralize participant files or at least track files by location and user. Additionally, electronic storage of participant files could be considered that is available to all users of the data.

Views of Responsible Officials and Planned Corrective Actions – Management disagrees with the finding. Centralizing the participant files is not practical and would not provide appropriate customer service to our clients. Case files are maintained in the service centers closest to where an individual lives.

Also, ACEDS maintains an electronic record of the location for the case, the eligibility worker assigned to the case, and the worker who completed the last action on the case.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-25	U.S. Department of Health and Human Services Maternal and Child Health Services Block Grant to the States CFDA Number 93.994	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – 42 USC 707(a)(3)(B) of the Federal Code of Regulations requires the District to use at least 30% of federal funds for children with special healthcare needs.

Condition – DOH expended only 29% of federal funds for services for children with special healthcare needs.

Context – This is a condition identified per review of DOH's compliance with specified requirements and a recurring finding from prior years.

Effect – DOH could lose funding for noncompliance with earmarking requirements.

Cause – Contractors and subgrantee vendors providing these services to participants did not meet enrollment goals for the targeted population, thus they were unable to expend all of their available funding under the grant agreement. DOH did not use its financial accounting and reporting system to its fullest capability to track and monitor the earmarking requirements.

Recommendation – DOH should enhance its policies and procedures in tracking and monitoring of costs restricted for services for children with special healthcare needs. These policies and procedures should include monitoring the accounting costs and budgets on a monthly basis with better utilization of systems.

Views of Responsible Officials and Planned Corrective Actions – DOH will continue to monitor costs to ensure that DOH is in compliance with all federal policies and procedures which include the percentage required in meeting services for children with special healthcare needs.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-26	U.S. Department of Housing and Urban Development Housing Opportunities for Persons with AIDS CFDA Number 14.241	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – The Code of Federal Regulations (24 CFR section 574.400 and 24 CFR section 574.300(b)(10)(i)-(ii)) together with the OMB Circular A-133 Compliance Supplement provide for level of effort and earmarking requirements for this program.

Condition – The HIV/AIDS Administration (HAA) was unable to provide supporting documentation for 1 out of 8 files requested to demonstrate its compliance with the earmarking requirements for the fiscal year 2005.

Context – The lack of policies and procedures in place to properly retain supporting documentation appears to be a systemic issue.

Effect – Failure to track expenditures for earmarking could result in noncompliance with the Code of Federal Regulations and loss of funding.

Cause – HAA did not have adequate policies and procedures in place to demonstrate that they had complied with the requirements for earmarking and it also did not properly retain supporting documentation.

Recommendation – HAA should develop a tracking system to ensure that it can easily obtain files to follow-up on its monitoring and earmarking requirements. HAA should establish procedures whereby a staff person is assigned responsibility to monitor expenditures made during the year to ensure that level of effort and earmarking requirements are met.

Views of Responsible Officials and Planned Corrective Actions – DOH concurs that it was unable to provide 1 of the 8 files requested for review. However, HAA does not concur that it has inadequate policies and procedures to comply with the earmarking requirement. The failure to provide 1 of 8 files did not result in AHPP not meeting the earmarking requirement.

HAA acknowledges that it is imperative to have all files safeguarded so that they are available at any given time for management review which includes audits. As such, HAA will implement policies and procedures that will ensure that all procurement files are properly safeguarded and readily available for future reviews.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-27	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number 93.917 HIV Prevention Activities CFDA Number 93.940	Procurement, Suspension, and Debarment	\$113,974

Criteria or Specific Requirement – Office of Management and Budget Circular A-133 and A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that the procurements are properly documented in the entity's files; provide full and open competition supported by a cost or price analysis; provide for vendor debarment or suspension certifications; provide for retention of files; and that supporting documentation collaborate compliance with these requirements.

Condition – The following condition was noted in the HIV Care Formula Grants program:

- 1) Out of 10 procurement files tested, DOH's HIV AIDS Administration (HAA) and Office of Contracting and Procurement (OCP) were not able to provide 2 procurement files. Each agency was responsible for one procurement file each.

The following condition was noted in the HIV Prevention Activities program:

- 2) HAA was unable to provide supporting documentation for 1 out of 10 procurement files selected for testing.

Context – This is a condition identified per review of DOH's compliance with specified requirements and has been identified as an issue in the past.

HIV Care Formula Grants: The total of the 10 contract files selected for testing was \$6,824,471, from a total population of \$11,146,178. Questioned costs of \$78,400 are attributable to this program and represent the total of the files not provided.

HIV Prevention Activities: The total of the 10 contract files selected for testing was \$345,648, from a total population of \$2,489,709. Questioned costs of \$35,574 are attributable to this program and represent the total of the file not provided

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH could possibly issue procurements without the appropriate funding.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

It was further noted that OCP does not have a system of tracking procurement files in order to easily obtain supporting documentation.

Cause – DOH relies on OCP to ensure suspension and debarment requirements are met as well as maintenance of the appropriate supporting documentation to ensure that each procurement is properly documented. Due to this reliance, DOH did not adhere to the required policies and procedures to ensure that they complied with the appropriate documentation requirements.

Recommendation – OCP and HAA should establish a file tracking system to ensure that all procurement files are properly maintained and that documents and records are properly retained. Additionally, this system should be able to determine where a file is located, who the user is, and the current status of the file.

Through accomplishing this, OCP would be able to establish safeguards to ensure all procurement and subrecipients related procurement folders are available for review. It is also recommended that DOH work with the OCP to ensure that all procedures developed allow documentation to be readily obtainable by both DOH and OCP staff.

Views of Responsible Officials and Planned Corrective Actions – The Department of Health, HIV/AIDS Administration (HAA) acknowledges that it is imperative to have all files safeguarded so that they are available at any given time for management review which includes audits. As such, HAA will implement policies and procedures that will ensure that all procurement files are properly safeguarded and readily available for future reviews.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-28	U.S. Department of Housing and Urban Development Housing Opportunities for Persons with AIDS CFDA Number 14.241	Procurement, Suspension, and Debarment	\$69,830

Criteria or Specific Requirement – Office of Management and Budget Circular A-133 and A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that the procurements are properly documented in the entity's files; provide full and open competition supported by a cost or price analysis; provide for vendor debarment or suspension certifications; provide for retention of files; and that supporting documentation collaborate compliance with these requirements.

Condition – DOH's HIV AIDS Administration (HAA) was unable to provide supporting documentation for 1 out of 10 procurement files selected for testing.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total of the 10 contract files selected for testing was \$2,481,510, from a total population of \$19,070,622. Questioned costs represent the total of the file not provided.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH could possibly issue procurements without the appropriate funding.

Cause – DOH relies on HAA to ensure suspension and debarment requirements are met as well as maintenance of the appropriate supporting documentation to ensure that each procurement is properly documented. Due to this reliance, DOH did not adhere to the required policies and procedures to ensure that they complied with the appropriate documentation requirements.

Recommendation – HAA should establish a file tracking system to ensure that all procurement files are properly maintained and that documents and records are properly retained. It is also recommended that DOH work with the sub-departments to ensure that all procedures developed allow documentation to be readily obtainable.

Views of Responsible Officials and Planned Corrective Actions – The Department of Health, HIV/AIDS Administration (HAA) acknowledges that it is imperative to have all files safeguarded so that they are available at any given time for management review which includes audits. As such, HAA will implement policies and procedures that will ensure that all procurement files are properly safeguarded and readily available for future reviews.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-29	U.S. Department of Health and Human Services Maternal and Child Health Services Block Grant to the States CFDA Number 93.994	Reporting	Not Determinable

Criteria or Specific Requirement – Per OMB Circular A-110 Reports and Records, .51 (d) "When required, performance reports shall generally contain, for each award, brief information on each of the following: a comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both. Whenever appropriate and the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs."

Condition – DOH is required to submit annually a Title V Application/Annual Report. The amounts reported in the Title V Application/Annual Report, as submitted July 15, 2005, were not able to be supported.

The Title V Application/Annual Report consists of several forms. The data shown on Form 7 in the report reflected FY 2003 data instead of FY 2004 data as required.

The budget amounts shown on Form 5 "State Title V Budget and Expenditures by Types of Services" appear to be estimates not supported by the approved budget or the District's accounting system.

Context – This is a condition identified per review of DOH's compliance with specified requirements and a recurring finding from prior years.

Effect – DOH could lose funding for noncompliance with reporting requirements.

Cause – DOH does not maintain data in the District's accounting system or any other database system based on types of individuals served and types of services provided. Therefore, the amounts shown on the Annual Report cannot be traced and agreed back to the source data. DOH also does not maintain detailed information to support other required information in the Annual Report, as required.

Recommendation – We recommend that DOH develop policies and procedures for accumulating and tracking census and other required data that is required to be submitted to its funding agencies and develop and maintain a system that validates and accumulates the data to support information that is included in the Title V Application/Annual Report.

Views of Responsible Officials and Planned Corrective Actions – DOH is committed to documenting the methodology it uses to derive the figures in its annual report/application to the federal government. Currently, the Maternal and Family Health Administration (M&FHA) utilizes excel spreadsheets that allocate budget and expenditures for these four service categories to satisfy the annual reporting requirement, and will continue to do so.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

However, M&FHA will work with the Office of the Chief Financial Officer (OCFO) to develop program cost codes (PCA) and indexes to specifically allocate the budget and expenditures for the Block Grant within the service areas cited in the annual application.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-30	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778	Reporting	Not Determinable

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement, "Thirty days after the end of the quarter, States are required to electronically submit the CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program*. The CMS-64 presents expenditures and recoveries and other items that reduce expenditures for the quarter and prior period expenditures reported. The amounts reported on the CMS-64 and its attachments must be actual expenditures for which all supporting documentation, has been compiled and is available immediately at the time the claim is filed."

Condition – The amounts reported by DOH in the CMS-64 for the 2nd, 3rd and 4th quarters of fiscal year 2005 in relation to the Medicaid expenditures incurred by the District's Department of Human Services (DHS) did not agree with the actual expenditures recorded in the general ledger.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total amount reported in the CMS-64 for all quarters for fiscal year 2005 was \$13,755,244, while the total actual expenditures incurred by DHS for fiscal year 2005 was \$15,274,085. The difference of \$1,518,841 was not adjusted in the following quarter's CMS-64.

Effect – Failure to support the accurate information in the required reports results in noncompliance with the OMB Circular A-133 Compliance Supplement.

Cause – DOH did not have adequate policies and procedures in place to properly validate information provided by DHS in order to demonstrate that they had captured correct and complete information to be reported in the quarterly CMS-64. Also, there were no policies and procedures in place to regularly review the accuracy of the information provided by DHS.

Recommendation – We recommend that DOH develop and implement policies and procedures to properly validate and regularly review the completeness and accuracy of information provided by DHS in order to properly support the amounts reported in the quarterly CMS-64, as required.

Views of Responsible Officials and Planned Corrective Actions – Management does not concur with the finding. This was an isolated case. DHS alerted DOH of the need to adjust the CMS-64 report but did not segregate the adjustment from their normal claiming information. The adjustment was thus overlooked by DOH and not reported timely. It will be corrected on the CMS-64 for the quarter ending June 30, 2006. However, DOH will be more diligent in accepting claiming information from DHS. DOH will implement policies and procedures that will require third party information be reviewed for completeness and accuracy.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-31	U.S. Department of Health and Human Services	Subrecipient Monitoring	Not Determinable
	HIV Emergency Relief Project Grants CFDA Number 93.914		
	HIV Care Formula Grants CFDA Number 93.917		
	HIV Prevention Activities CFDA Number 93.940		
	Block Grants for Prevention and Treatment of Substance Abuse CFDA Number 93.959		
	Maternal and Child Health Services Block Grant to the States CFDA Number 93.994		

Criteria or Specific Requirement – OMB Circular A-133 indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – During our testing, from 10 subrecipient folders, we noted the following conditions in the HIV Emergency Relief Project Grant program:

- 1) 3 subrecipient folders were not able to be provided.
- 2) 6 subrecipients did not submit their programmatic packages and other reports on a timely basis.
- 3) Documentation of the impact of noncompliance identified or the follow-up with 4 subrecipients was not able to be provided.
- 4) There was no evidence of on-site visits performed in 3 subrecipient folders.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

During our testing, we noted the following condition in the HIV Care Formula Grants program:

- 5) DOH could not provide 9 of the 10 subrecipient monitoring files requested.

During our testing, we noted the following conditions in the HIV Prevention Activities program:

- 6) 3 out of the 10 subrecipient monitoring files were not provided.
- 7) Requested documentation of on-site visits was not able to be provided for 3 of the subrecipients.
- 8) No documentation of the effect of noncompliance was documented for all 10 subrecipients tested.

During our testing, we noted the following conditions in the Block Grants for Prevention and Treatment of Substance Abuse program:

- 9) 6 of the 8 subrecipients selected did not submit their programmatic packages, reports, and invoices in a timely manner.
- 10) None of the 8 subrecipient files had the required documentation of the impact of noncompliance identified.

During our testing, we noted the following conditions in the Maternal and Child Health Services Block Grant to the States program:

- 11) DOH did not require 7 out of the 9 subrecipients to certify their compliance with the audit requirements under OMB Circular A-133.
- 12) DOH did not perform the required site visits for 5 out of the 9 subrecipient files reviewed.
- 13) For the remaining subrecipients, DOH did not perform 4 of the site visits that were required and there were deficiencies noted in the files examined. There was no written documentation in the files as to the follow-up made by DOH, the corrective action taken, and the outcome.
- 14) Only 2 of the 9 subrecipient OMB Circular A-133 audit reports were obtained and documented in the files.
- 15) None of the 9 subrecipients tested included the CFDA title and number, the name of the Federal agency, and the award name in the subrecipient agreements.

Context – This is a recurring issue from the prior year and is a condition identified per review of DOH's compliance with specified requirements.

Effect – Lack of monitoring during the fiscal year could result in subrecipients not using federal funds for the purposes that DOH or the federal agency intends. This could lead to improper usage and/or waste of the funds and increases the fraud risks.

Cause – DOH is not adhering to policies and procedures in place to demonstrate that it had complied with the requirements of OMB Circular A-133 and OMB A-102 for subrecipient monitoring and properly retaining subrecipient documentation. There is no tracking system in place to monitor who has possession of or the location of subrecipient records, which could lead to noncompliance with laws and regulations.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Recommendation – DOH should develop policies and procedures to ensure that it is appropriately monitoring subrecipient activities. Additionally, it should develop a tracking system to ensure that it can easily obtain subrecipient files to follow-up on its monitoring requirements. In performing the monitoring function, DOH should ensure that it documents the following:

- Scope of its review (inspection, review of management documentation, review of performance requirements, review of OMB Circular A-133 report, review of financial requirement, etc.);
- Date of the review;
- Personnel performing the review;
- Planned procedures;
- Results of the review; and
- Formalized corrective action plan.

The policies and procedures should outline an appropriate timeframe for follow-up and the types of follow-up required in various situations. All documentation should be maintained for monitoring efforts in subrecipient monitoring folders, organized by the subrecipient. DOH should also establish safeguards to ensure all the subrecipients have had the required OMB Circular A-133 audit, if appropriate and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – DOH does not concur with the findings identified in the *HIV Emergency Relief Project Grant* program, *HIV Care Formula Grants* program, and the *HIV Prevention Activities* program. The Administration for HIV Policy and Programs (AHPP) does have adequate policies and procedures in place to monitor its subrecipients in compliance with the requirements of the OMB Circular A-133. Specifically, subrecipients are monitored by both a Grants Management Specialist and a Program Officer. In addition, the Office of the Chief Financial Office requests that subrecipients, subject to OMB A-133 requirements, provide documentation to demonstrate their compliance with the requirements relating to audits, corrective actions, and follow-ups. The OCFO also periodically accompanies AHPP on site visits. Furthermore, site visits are performed by the Grant Management Specialist and the Program Officer jointly, and individually. As such, documentation to support a site visit could be in Grants Management Specialist's file which the visit was done by both or in the Program Manager's file when performed individually.

As stated in the OMB Circular A-133, the subrecipients can be monitored through site visits or other means such as telephone calls, meeting with the subrecipients at AHPP, meeting the subrecipients at outreach meetings, and ensuring that the subrecipients are in audit compliance. As such, evidence of no site visit does not mean that the subrecipients are inadequately monitored.

In addition, the Prevention & Intervention Services unit provides a complimentary set of records and protocols to support co-management and oversight of the sub-grant recipient activities. This includes procedures for maintaining and storing sub-grantee records, initiating and modifying grant agreements and budgets, and transferring information to subrecipients regarding compliance and non-compliance. These procedures have been utilized throughout the audit review period (2005) and to-date. Also there are written guidelines for Project Officers, evaluators, managers, and other program staff to follow.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

AHPP will ensure that all subrecipients' files are properly safeguarded to be made available in the future.

In the case of the findings identified in the *Block Grants for Prevention and Treatment of Substance Abuse* program, DOH will develop policies and procedures to ensure that it is appropriately monitoring subrecipient activities. In addition, it will develop a monitoring system to ensure that it can easily obtain subrecipient files. In performing the monitoring function, DOH will document the scope of the review and formulate a corrective action plan, if needed. All documentation will be maintained in a subrecipient monitoring folder. Safeguards will be established to ensure that all subrecipients have had the required OMB Circular A-133 audit, if applicable.

In the case of the findings identified in the *Maternal and Child Health Services Block Grant* program, the Administration will adhere to the Grants Management Office's policies and procedures for the monitoring of subrecipients.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-32	U.S. Department of Housing and Urban Development Housing Opportunities for Persons with AIDS CFDA Number 14.241	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – During our testing, we noted the following conditions:

- 1) 3 of the 8 subrecipients sampled did not submit their programmatic packages and other reports on a timely basis.
- 2) For all of the 8 subrecipients sampled, documentation of the impact of noncompliance identified or the follow-up with the subrecipients was not able to be provided.
- 3) As per the internal policy, site visits are required to be performed quarterly. However, per review of the subrecipient monitoring files, only two site visits were documented as having been performed during the grant period in most cases.

Context – This is a recurring issue from the prior year and is a condition identified per review of DOH's compliance with specified requirements.

Effect – Lack of monitoring during the fiscal year could result in subrecipients not using federal funds for the purposes that DOH or the federal agency intends. This could lead to improper usage and/or waste of the funds and increases the fraud risks.

Cause – DOH is not adhering to policies and procedures in place to demonstrate that it had complied with the requirements of OMB Circular A-133 and OMB A-102 for subrecipient monitoring and properly retaining subrecipient documentation. There is no tracking system in place to monitor who has possession of or the location of subrecipient records, which could lead to noncompliance with laws and regulations.

Recommendation – DOH should develop policies and procedures to ensure that it is appropriately monitoring subrecipient activities.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Additionally, it should develop a tracking system to ensure that it can easily obtain subrecipient files to follow-up on its monitoring requirements. In performing the monitoring function, the HIV AIDS Administration should ensure that it documents the:

- Scope of its review (inspection, review of management documentation, review of performance requirements, review of OMB Circular A-133 report, review of financial requirement, etc.);
- Date of the review;
- Personnel performing the review;
- Planned procedures;
- Results of the review; and
- Formalized corrective action plan.

The policies and procedures should outline an appropriate timeframe for follow-up and the types of follow-up required in various situations. All documentation should be maintained for monitoring efforts in subrecipient monitoring folders, organized by the subrecipient. DOH should also establish safeguards to ensure all the subrecipients have had the required OMB Circular A-133 audit, if appropriate and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – DOH does not concur with the finding. The Administration for HIV Policy and Programs (AHPP) does have adequate policies and procedures in place to monitor its subrecipients in compliance with the requirements of the OMB Circular A-133. Specifically, subrecipients are monitored by both a Grants Management Specialist and a Program Officer. In addition, the Office of the Chief Financial Office requests that subrecipients, subject to OMB A-133 requirements, provide documentation to demonstrate their compliance with the requirements relating to audits, corrective actions, and follow-ups. The OCFO also periodically accompanies AHPP on site visits. Furthermore, site visits are performed by the Grant Management Specialist and the Program Officer jointly, and individually. As such, documentation to support a site visit could be in Grants Management Specialist's file which the visit was done by both or in the Program Manager's file when performed individually.

As stated in the OMB Circular A-133, subrecipients can be monitored through site visits or other means such as telephone calls, meeting with subrecipients at AHPP, meeting the subrecipients at outreach meetings, and ensuring that subrecipients are in audit compliance. As such, evidence of no site visit does not mean that the subrecipients are inadequately monitored. In addition, the Prevention & Intervention Services unit provides a complimentary set of records and protocols to support co-management and oversight of the subgrant recipient activities. This includes procedures for maintaining and storing subgrantee records, initiating and modifying grant agreements and budgets and transferring information to subrecipients regarding compliance and non-compliance. These procedures have been utilized through-out the audit review period (2005) and to-date. Also there are written guidelines for Project Officers, evaluators, managers, and other program staff to follow.

AHPP will ensure that all subrecipients' files are properly safeguarded to be made available in the future.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-33	U.S. Department of Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse CFDA Number 93.959	Special Tests and Provisions: Independent Peer Reviews	Not Determinable

Criteria or Specific Requirement – As required under 45 CFR Section 96.136 and 42 USC 300x-53(a) of the Federal Code of Regulations, a State must provide for independent peer reviews, which access the quality, appropriateness, and efficacy of treatment services provided to individuals. It further states that:

- At least 5 percent of the entities providing services in the State shall be reviewed;
- The entities shall be representative of the entities providing the services;
- The State shall ensure that the peer reviews are independent by ensuring that the peer review does not involve reviewers reviewing their own programs; and
- The peer review should not be conducted as part of the licensing or certification process.

Condition – DOH's Addiction Prevention and Recovery Administration did not conduct independent peer reviews on entities providing treatment services as required.

Context – This is a condition identified per review of DOH's compliance with specified requirements and a recurring finding from prior years.

Effect – Failure to complete independent peer reviews could result in substandard quality, appropriateness, and efficacy of treatment services by service providers to those who need care. Further, it results in noncompliance with regulations set forth in Federal Code of Regulations 45 CFR section 96.136 and 42 USC 300x-53(a).

Cause – During fiscal year 2005, DOH formulated and established independent peer review templates and programs; however, no peer reviews were conducted during the year. In addition, it was noted that there was a lack of sufficient qualified personnel available to conduct the reviews as required.

Recommendation – As part of DOH's policies and procedures for conducting independent peer reviews of entities providing treatment services in the District, DOH should also consider:

- Maintaining a database of all entities providing treatment services in the District;
- Developing and maintaining information detailing the date and entity to be reviewed;
- Supervision of staff to ensure reviews are being conducted timely and that findings are resolved appropriately;
- Reviewing at least 5 percent of the entities providing treatment services annually as required;
- Documenting and requiring sign-offs of the independence of the peer reviews; and
- Ensuring that the reviews are not part of the licensing or application process.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Views of Responsible Officials and Planned Corrective Actions – The administration has assigned a staff person the responsibility to monitor the independent peer review process to ensure that the District complies with the federal requirements. In addition to the administration having peer reviews performed for fiscal year 2006, the administration will also have the 2005 independent peer reviews completed by the end of fiscal year 2006.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Child and Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-34	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Allowable Costs	See Context

Criteria or Specific Requirement – OMB Circular A-87 states, "to be allowable under federal awards, costs must be adequately documented."

Condition – The following was noted:

- 1) 1 item relating to a child day care expense was not signed by program personnel before payment.
- 2) CFSA could not provide supporting documentation for 3 of the 45 expenditures tested.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. Questioned costs are below the required reporting threshold.

Effect – Lack of approval may result in CFSA purchasing items unallowable per OMB Circular A-87. In addition, lack of supporting documentation for program expenditures could result in disallowed costs.

Cause – It appears that there are insufficient monitoring controls by CFSA's fiscal personnel to ensure that appropriate supporting documentation is maintained in the files and that the invoices are approved by appropriate personnel.

Recommendation – We recommend that CFSA ensure that all grant expenditures are reviewed and approved by appropriate personnel prior to payment and that supporting documentation is maintained for expenditures charged to the federal program. We also recommend that CFSA review its current records retention policy to ensure that complete documentation is maintained for all expenditures incurred. Access to the files should be limited to only authorized personnel. Removal/retrieval of supporting documentation should be tracked as to the person removing the documentation and the date the data was removed and returned.

Views of Responsible Officials and Planned Corrective Actions – During the latter part of fiscal year 2005, CFSA's fiscal office established a document control unit. The purpose of this unit is to account for all paid invoices and to file documents in a central location. The process began with archiving old documents and then proceeded to organize and centralize the current year's files. These procedures were developed in fiscal year 2005 and the process is being revised as needed to ensure optimal efficiency. Generally, the Accounts Payable Supervisor or designee ensures that all approvals are in place prior to the payments being made, this will be reemphasized as part of our on going efforts to improve our processes.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Child and Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-35	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Eligibility	\$22,642

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement states in part that "...unless the child is expected to graduate from a secondary educational, or an equivalent vocational or technical training institution before his or her 19th birthday, eligibility ceases at the child's 18th birthday."

Condition – During our testwork, we noted 6 instances out of the entire population of 12,057 maintenance payments wherein the recipients/clients received benefits after their 19th birthday. In addition there was 1 client who was deemed ineligible and continued to receive services.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. Questioned costs represent the sum of the amounts, from our sample, which was charged to the program for ineligible recipients.

Effect – Expenditures charged against the grant funds will be overstated.

Cause – There appears to be insufficient monitoring and review of the information in the FACES system and inadequate quality controls in place at CFSA.

Recommendation – It is recommended that CFSA implement controls in the FACES system to ensure that all recipients who have exceeded the age requirements are flagged and purged out of the system. In addition, CFSA should review its present quality control policies with a focus on improving flaws which currently exist.

Views of Responsible Officials and Planned Corrective Actions – CFSA concurs with a minor dissent. \$20,959 of the questioned costs was claimed for a client who was inappropriately claimed as "Eligible/Reimbursable". CFSA concurs that this claiming was in error. Although one eligibility-based claiming exception in a sample of this size would be quite good by national standards, CFSA is working diligently to further improve its eligibility determination process. With regard to the \$1,683 for payments for services after the child's 19th birthday, all but one was a payment made during the month in which the child "Aged-Out" of eligibility. Title IV-E payments are permitted, however, for the month in which the child ages-out. We call attention to the audit methodology in which "the entire population of 12,057 maintenance payments" was examined against age-out date. CFSA concurs that one of the payments claimed fell outside of the reimbursable range – all others would be valid assuming that the child was "expected to graduate by 19". The audit methodology did not address this issue.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Child and Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-36	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Eligibility	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement states the following:

- The provider, whether a foster family home or a child-care institution must be fully licensed by the proper State Foster Care licensing authority. A child care institution is defined as a private child-care institution, or a public child-care institution which accommodates no more than 25 children, which is licensed or approved by the State in which it is situated, but does not include detention facilities, forestry camps, training schools, or facilities operated primarily for the purpose of detention of children who are determined to be delinquent (42 USC 671(a)(10) and 672(c)).
- The foster family home provider must have satisfactorily met a criminal records check with respect to prospective foster and adoptive parents (45 CFR sections 1356.30(a) and (b)).
- The licensing file for the child-care institution must contain documentation that verifies that safety considerations with respect to staff of the institution have been addressed (45 CFR section 1356.30(f)).

Condition – The following was noted:

- 1) There were 4 out of a sample of 77 items tested for which the date of birth reported in the FACES system did not agree to the court documents.
- 2) Licenses were not provided for 10 out of a sample of 77 transactions with providers. 4 of the transactions were with child day care providers.
- 3) Out of the 67 licenses provided as per condition #2 above, we were unable to match the provider with the child in 4 instances.
- 4) CFSA failed to provide 10 out of a sample of 77 criminal background checks selected for testing.
- 5) Based upon our review of the licensing file of the child care institution, we were unable to substantiate in all 5 cases tested, whether safety considerations with respect to staff of the institution had been addressed.

Context – This is a condition identified per review of CFSA's compliance with specified requirements.

Effect – Lack of supporting documentation for program expenditures could result in disallowed costs.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Cause – It appears that there are insufficient monitoring controls to ensure that appropriate supporting documentation is maintained in the files.

Recommendation – We also recommend that CFSA review its current records retention policy to ensure that complete documentation is maintained for all expenditures incurred. Access to the files should be limited to only authorized personnel. Removal/retrieval of supporting documentation should be tracked as to the person removing the documentation and the date the data was removed and returned.

Views of Responsible Officials and Planned Corrective Actions – CFSA affirms that it has failed to provide the documentation identified in the audit finding; CFSA denies, however, that the sampled placements were not licensed with appropriate criminal background check/safety considerations for the sampled period.

The audit was conducted under very rigid timeframes. A Program Manager responsible for much of CFSA's Title IV-E claiming activity was assigned the task of coordinating the Agency's provision of licensing/background check documentation between the auditors and the several CFSA Units responsible for licensing and licensing documentation. A series of miscommunications and/or misunderstandings led to a draft finding that 10 of 77 licenses and 17 of 77 criminal background checks "had not been provided" and/or were unsatisfactory. Further confusion regarding the audit detail resulted in the Program Manager advising the Agency Fiscal Officer (the overall coordinator of the audit) that satisfactory documentation/clarification could not be provided within the limited time remaining. It was asserted that it would be necessary to compile the document post-audit and provide such documentation to District officials and the relevant federal agency (DHHS, ACF, Region III). CFSA administration was not advised of this "decision".

At the "Exit Conference", CFSA administration requested, and the auditors granted, a 24-hour extension to permit CFSA to provide the missing documentation and to reach closure regarding unresolved issues. It was only after the extension was granted that a number of documents which were believed to have been delivered to the auditors were not recorded as having been received (also correcting a misunderstanding about which organizational sub-unit "had not responded").

As a result of last minute efforts, the number and nature of exceptions were reduced to those reported as findings. CFSA remains convinced that the outstanding documentation will be obtained shortly for all remaining exceptions. As noted above, such documentation will be provided to relevant District and federal officials.

To avoid future occurrences of this nature, CFSA will assure that the audit coordination/management function is exercised in a more diligent/timely manner in the future. CFSA will also review the assignment of licensing, monitoring, and licensing documentation with the "Licensing & Monitoring" Unit. As needed, corrective action will be taken.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Child and Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-37	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Eligibility	\$15,366

Criteria or Specific Requirement – Per 42 USC 671 (a)(10) and 672(c), foster family homes or child-care institutions must be fully licensed by the proper State Foster Care licensing authority.

Condition – For 2 of 30 payments selected for testing, the foster care provider (FCP) to whom CFSA paid Title IV-E Foster Care subsidy payments was not properly licensed. In each of these instances, the FCP then underwent a period of time where they were unlicensed before a new license was granted.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. The total amount of payments selected for testing amounted to \$107,898. Questioned costs represent the sum of the amounts, from our sample, which was charged to the program for subsidy payments made to unlicensed FCPs.

Effect – This lapse in licensure results in all costs made to these providers to be deemed as unallowable as the payments were made to unlicensed FCPs and subsequently claimed for federal reimbursement under the program.

Cause – There are two staff persons in the CFSA eligibility determination unit handling a caseload of approximately 3,000 active cases.

Redeterminations of eligibility are only performed when cases come up for review, audit, or when there is change in placement of the child. The eligibility unit is also focused on eliminating the current backlog of initial case determinations, before it focuses on completing redeterminations.

If adequate, timely redeterminations of eligibility were performed, CFSA would have identified these lapses in licensure and possibly lessened the period during which payments became non-claimable. Additionally, if a system were instituted by the foster care provider licensing unit to identify FCPs with licenses soon to expire, such lapses might be avoided.

Recommendation – We recommend that CFSA take corrective action to ensure lapses in licensure are eliminated. Failure to do so will adversely affect CFSA's ability to claim reimbursement for foster care costs under the program. Identifying these lapses in a timely manner is integral to ensuring the problem is resolved as expediently as possible. Such identification would be possible if a strong set of internal controls over eligibility and licensing was implemented. Additionally, an effective system of internal control allowing the foster care provider licensing unit to identify FCPs with licenses soon to expire would help to ensure such lapses do not occur.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Views of Responsible Officials and Planned Corrective Actions – Since 2003 CFSA has operated under an Implementation Plan based on the Modified Final Order of Federal District Court (LaShawn v. Williams). As a result, we give focus to licensing as one of our primary performance benchmarks.

Since 2004, after implementing many strategies and making clearer contracting expectations, we have experienced significant improvements in the numbers of licensed placements for children. The FACES system now has in place a notification system that reminds private agency providers 120 days prior to an expiration of one of their homes.

CFSA Monitors routinely interact with private agency providers to ensure that they are engaging in the planning that is required to avoid the expiration of licenses. In October 2003, private agency providers were evaluated on their performance in several of the benchmark areas. During that time staffings were also held with unlicensed foster parents to determine barriers to licensure. In September 2004, private agency directors received letters outlining their performance and expectations for improvement. There has been intensive review of the licensing practices of private providers, and where necessary, corrective action plans have been required. For our providers who license in Maryland, we have begun sharing performance information with the State.

Lastly, this year, CFSA began the process of developing language to incorporate a liquidated damages clause to impose when contracted providers fail to maintain valid licenses of homes and facilities.

These are but a few of the strategies that CFSA has implemented to promote the goal of safety for all children involved with our agency. The agency acknowledges that despite all of our efforts, there are occasions when lapses occur. Often times, it is the direct result of private providers not initiating relicensure in a timely manner, or the resistance of foster parents to act on the requirements to renew.

It is expected that the potential financial impact of liquidated damages will motivate private providers to act with greater assertion to minimize lapses and improved relationships with foster parents will result in the understanding of the importance of licensure.

A recent federal Eligibility Review revealed problems related to claiming foster care "Maintenance" costs for otherwise IV-E Eligible/Reimbursable children residing in unlicensed placements, including those for whom a license is expired. A "Performance Improvement Plan" (PIP) was prepared for Region III, DHHS, ACF, officials as a result of the Eligibility Review findings. Sections I.B.3 and IIIA-F of the PIP document action steps related to eliminating IV-E claiming for unlicensed placements in the month-of-service. As a result of the Eligibility Review findings and PIP Action Steps, the FACES methodology for editing claims for provider eligibility (i.e. licensure) was significantly revised. The new methodology was implemented beginning in the 1st Quarter of fiscal year 2005. Internal sampling of both 1st and 2nd Quarter IV-E Maintenance claiming related to provider licensure revealed no instances of improper claiming.

For the purposes of this audit, the amount specified covers the period of license expiration for the two unlicensed homes.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Child and Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-38	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Eligibility	Not Determinable

Criteria or Specific Requirement – The A-102 Common Rule requires that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls over eligibility should include a quality control review performed by the eligibility unit supervisor of a sample of initial eligibility determinations and redeterminations on a rolling basis throughout the year.

Condition – Throughout our test work, it was determined that there was a lack of timely redeterminations over existing CFSA Foster Care cases. Our testing revealed that 68 out of 77 cases tested had eligibility redeterminations performed during June 2006 which is approximately nine months after the close of the fiscal year and less than two weeks prior to the start of our fieldwork at CFSA.

We also noted that there were two cases in which there was no evidence of certifications/redeterminations completed.

Additionally, in 71 of the 77 cases, there was no evidence of supervisory review of eligibility certifications.

Context – This is a condition identified per review of CFSA's compliance with specified requirements.

Effect – Lack of adequate and timely eligibility redeterminations could potentially result in over claiming of reimbursable expenses. Without timely redeterminations of eligibility, cases that were previously eligible for federal reimbursement, but have since become ineligible, would continue to be claimed indefinitely.

Additionally, the lack of a formal supervisory quality control review process of initial eligibility determinations and redeterminations could potentially result in errors in federal claiming. Children who are actually eligible for reimbursement could be incorrectly determined to be ineligible, and without a supervisory review of that determination, CFSA would be unable to claim a federal reimbursement. Conversely, cases that were incorrectly deemed ineligible would be claimed as eligible for reimbursement resulting in disallowed costs.

Cause – There are two staff persons in the CFSA eligibility determination unit handling a caseload of approximately 3,000 active cases. Redeterminations of eligibility are only performed when cases come up for review, audit, or when there is change in placement of the child. The eligibility unit is also focused on eliminating the current backlog of initial case determinations, before it focuses on completing redeterminations. If adequate, timely redeterminations of eligibility were performed, CFSA would have identified these lapses in licensure and possibly lessened the period during which payments became non-claimable. Additionally, if a system were instituted by the foster care provider licensing unit to identify FCPs with licenses soon to expire, such lapses might be avoided.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Recommendation – CFSA must establish procedures to ensure that all initial eligibility determinations and redeterminations are performed in a timely manner. Additionally, a supervisory quality control review should be placed into operation so that additional assurance might be provided that eligibility determinations are complete and accurate.

Views of Responsible Officials and Planned Corrective Actions – Since the inception of CFSA's federally mandated SACWIS system, the Agency has struggled with eligibility determination backlogs and with keeping current with Eligibility Re-Determination expectations. A series of recent structural changes and a soon to be implemented expansion of the Eligibility Unit's staff complement (coupled with a currently engaged consultant's contributions) are expected to resolve this issue by mid-FY07.

CFSA acknowledges that the absence of timely Re-Determinations increases the likelihood that client maintenance costs might be inappropriately claimed. We note, however, that the audit found only two such instances out of a sample of 77 cases. This is an Eligibility exception rate that would pass both the Federal "Primary" and "Secondary" Eligibility Reviews.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Child and Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-39	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – S2301.05a of the DCMR states that prior to the award of a multi-million dollar contract or contract in excess of \$1,000,000 during a 12 month period, the Mayor (i.e. executive independent agency) shall submit the proposed contract to the Council for review and approval in accordance with established criteria. The requirement for Council approval shall extend to any contract action (which includes modifications and task orders). In cases where the Council has previously approved a contract with base year and option years, where an option year exceeds one million dollars, Council approval will be required again.

Section 1202.2 of the D.C Official Code states that documentation in each file maintained by the contract office shall be sufficient to constitute a complete history.

Further, OMB Circular A-87 states "to be allowable under federal awards, costs must be adequately supported."

Condition – During our testwork, we noted the following:

- 1) Out of a sample of 15 procurement transactions selected, 10 required City Council approval. City Council approvals were not provided for all 10 contracts.
- 2) Purchase Notifications were not provided in 13 instances.
- 3) 4 files lacked adequate supporting documentation in order for us to test the controls and compliance over procurement.

Context – This is a condition identified per review of CFSA's compliance with specified requirements.

Effect – Contracts could be awarded to suspended or debarred contractors. In addition, failure to maintain contract files could result in disallowed costs.

Cause – CFSA failed to properly maintain contracts files for procurement contracts due to an inadequate filing and tracking system.

Recommendation – We recommend that CFSA review its current contracting procedures with special focus on the contracting officers or designees and their responsibilities for ensuring compliance with contract dollar limitations and the approval process. The commodity managers should meet with senior procurement personnel to review the status of certain contracts during the year and action should be taken to remedy any deficiencies cited.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Views of Responsible Officials and Planned Corrective Actions – The Child and Family Services Agency has reviewed the aforementioned A-133 audit finding as it relates to the Agency's contract and procurement files. Specifically, the finding states that 10 out of 15 files did not contain City Council approvals, although the contracts seemingly required City Council approval; purchase notifications were not provided in 13 instances; and 4 files lacked adequate documentation to test controls and compliance for contracts and procurement. The issues raised in the finding are not representative of the contracts and procurement operation's files maintenance system.

In June 2001, the Agency was released from federal court receivership ("the receivership") under the *LaShawn A. v. Williams* case. At that time, the Agency took responsibility for a number of contract and procurement actions commenced under the receivership. The receivership was not subject to District of Columbia procurement laws and regulations, and accordingly, did not meet the legal standards articulated in those documents. Additionally, at that time, contracts and procurement were not a centralized function under one authority. Some elements under the receivership, outside of the contracts and procurement operation, developed its own contracting function and worked independently.

By June 2004, the Agency had successfully begun integrating all contracting and procurement functions under one administration. As part of the process for this systemic integration, in early 2005, staff commenced with chronicling almost a decade's worth of contracts and procurement files. What became obvious as this project continued was that the lack of a centralized contract and procurement operation and non-compliance with District of Columbia contract and procurement law left many contracts, and their accompanying files, in a state of disarray. In March 2006, the newly appointed Agency Chief Contracting Officer embarked upon a number of reforms to ensure such problems would not reoccur.

First, the Agency has worked diligently with the assistance of the Office of the Attorney General, Procurement Section ("OAG") to ensure previously awarded contract actions met legal sufficiency and do not adversely effect current, active contracts. In fact, since June 30, the Agency has received City Council approval for 17 different contracts. Currently, there are 19 contract packages pending OAG that will subsequently be submitted to the City Council for review during the fall legislative session, which begins September 15 and should be approved by the City Council by early October 2006. These packages are currently available for audit review. Second, the contract and procurement operation moved forward with a massive overhaul of its contract file system. This included inputting all known contracts into an automated database, preparing standard contract file folders containing all necessary, and available, documentation, and filing the contracts by fiscal year. This project will conclude by the end of the fiscal year. This effort is also part of a larger effort by the Agency to go to a full scale centralized filing system. Third, the staff has embarked upon an ongoing compliance program for all new contracts to ensure contract documents, electronic and hard copy, are properly logged. Finally, the contracts and procurement operation will engage, for the first time, in administrative closeouts for contracts expiring, or already expired, during this fiscal year. This project will conclude by the beginning of December.

It is the Agency's belief that these systemic changes, especially given past barriers, are a more accurate representation of the contracts and procurement operation's filing system. Further, it is the Agency's belief that the contracts reforms recently instituted will benefit the children and families served and the contractors providing services to that population.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Child and Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-40	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Reporting	Not Determinable

Criteria or Specific Requirement – The Federal Cash Transaction Report (SF 272) is due no later than 30 days after of each specified reporting period.

Condition – CFSA is required to submit quarterly SF-272s to the Program Support Center (PSC). We reviewed the reports submitted for all four quarters and noted the following:

- 1) In all instances, the reports were submitted after the deadline established in the grant agreement.
- 2) In 2 instances, the reports contained no evidence of approval/certification by an authorized official.

Context – This is a condition identified per review of CFSA's compliance with specified requirements.

Effect – The agency was not in compliance with the reporting requirements of the grant program. The lack of approval by an authorized official could result in the transmission of inaccurate information to the federal awarding agency.

Cause – The process of documenting and monitoring compliance with this specific grant requirement was not functioning as intended.

Recommendation – We recommend that CFSA reevaluate its policies and procedures to ensure proper monitoring of grant activity and timely reporting of financial data required by the federal agency. In addition, these reports should be reviewed by an appropriate official, who would ensure that they are submitted in a timely manner.

Views of Responsible Officials and Planned Corrective Actions – Filing of the "Federal Cash Transaction Report" (SF-272) is contingent on completion of the Quarterly Title IV-E claim (IV-E-1). Historically, CFSA has delayed calculation of the IV-E-1 in order to optimize federal revenue. In almost every quarter, CFSA exercised its right to request a 15 day extension on the filing deadline. As a consequence, the SF-272 was consistently filed late.

Beginning in the 1st quarter, FY07, CFSA will calculate the IV-E-1 on a timeline that allows for timely submission of SF-272.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Employment Services (DOES)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-41	U.S. Department of Labor (DOL) Unemployment Insurance CFDA Number 17.225	Cash Management – Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act (CMIA) Agreement exists between the District and the U.S. Treasury Department. It outlines the methodology for requesting funds for federal programs which have expenditures over \$5,500,000 and states that the funding technique or request for funds for the program should be based on an *Average Clearance* method.

The *Average Clearance* funding technique requires that the request for funds be for the exact amount of the disbursement as opposed to the *Estimated Allocation* funding technique which allows District agencies to draw funds before the cost is incurred.

The CMIA agreement also requires a five day clearance pattern for the grant.

Condition – DOES utilized the incorrect funding technique and clearance patterns for its requests for funds. DOES used the *Estimated Allocation* funding technique instead of the *Average Clearance* technique. Additionally, for payroll costs charged to the program, DOES used the 1 day clearance pattern instead of the 5 day clearance pattern.

Context – This is a condition identified per review of DOES' compliance with specified requirements. DOES made 14 requests for funds totaling \$9,159,309. Each request for funds was based on the *Estimated Allocation* method.

DOES calculated a 1 day clearance for all payroll transactions incurred.

Effect – DOES is not in compliance with specified requirements.

Cause – DOES management was unaware that the funding technique and clearance pattern for payroll costs had changed.

Recommendation – We recommend DOES use the approved method for its funding technique and a clearance pattern of 5 days for its payroll transactions as required.

Views of Responsible Officials and Planned Corrective Actions – Effective August 1, 2006, the Shared Service Center (SSC) will follow the drawdown technique (Modified Average Clearance) as stated on the CMIA Agreement for fiscal year 2006. The CMIA report will also be changed to reflect the clearance patterns noted on Exhibit II of the CMIA Agreement, which lists state clearance times of 0 days for payroll costs and 5 days for non-personnel costs. Compliance will be monitored by the Associate CFO for six months.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Employment Services (DOES)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-42	U.S. Department of Labor (DOL) Unemployment Insurance CFDA Number 17.225	Cash Management – Request for Funds	Not Determinable

Criteria or Specific Requirement – The District's Cash Management Improvement Act (CMIA) agreement requires the government to minimize the time that elapses between the payment of the disbursement and the request for reimbursement. The costs must be incurred or paid out before reimbursement is requested from the program's funding.

Condition – DOES' requests for funds, during the fiscal year, included costs that had not been paid out before the request for reimbursement was made.

Context – This is a condition identified per review of DOES' compliance with specified requirements. DOES made 14 requests for funds totaling \$9,159,309. Each of the requests included unpaid transactions.

Effect – DOES' requests for funds for the program were not based on its immediate cash needs. Interest may be owed to the federal government.

Cause – DOES included accrued expenditures in some of its requests for funds.

Recommendation – We recommend DOES implement policies and procedures to ensure that program obligations have been incurred prior to requesting reimbursement. DOES should base its requests for funds on information consistent with the CMIA agreement.

Views of Responsible Officials and Planned Corrective Actions – Effective August 1, 2006, the Shared Service Center (SSC) will follow the drawdown technique (Modified Average Clearance) as stated in the Treasury State Agreement for fiscal year 2006. In addition, an SSC Manager will review and authorize the requested drawdown amount prior to the scheduled day of the drawdown to avoid overdraw and to ensure that the D.C. Government is reimbursed timely. Compliance will be monitored by the Associate CFO for six months.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Employment Services (DOES)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-43	U.S. Department of Labor (DOL) Unemployment Insurance CFDA Number 17.225	Period of Availability	\$114,171

Criteria or Specific Requirement – The grant award periods for the grant are 15 months for administrative expenses and 3 years for automation acquisitions. The grant also allows an additional 90 days to liquidate the transactions. The grant defines automation acquisitions as the cost of goods and services directly related to the automation of the unemployment insurance operation. It does not include maintenance and other costs relating to current operations and services.

Condition – DOES charged some support and maintenance costs after the fiscal year 2003 grant's period of availability which ended December 31, 2003. DOES also recorded expenditures related to October and November 2005 totaling \$114,171 in fiscal year 2005.

Furthermore, DOES did not liquidate the support and maintenance costs charged to the fiscal year 2004 grant within the required timeframe.

Context – This is a condition identified per review of DOES' compliance with specified requirements. No costs were questioned that were charged after the fiscal year 2003 grant's period of availability since the amount of tax support and maintenance costs could not be determined. However, the expenditures related to October and November 2005 that were charged to the fiscal year 2003 grant were questioned.

Effect – Expenditures have the potential to be overstated for the fiscal year 2003 grant award.

Cause – The contractor who provided the tax system services did not separately identify in its invoices the tax support and maintenance costs from the automation acquisition costs. The contractor labeled all the costs in its invoices as tax support and maintenance.

Recommendation – We recommend that DOES require its contractor(s) to separately identify tax support and maintenance costs from automation acquisitions to ensure that grant expenditures are recorded in the proper period.

Views of Responsible Officials and Planned Corrective Actions – Management will request that the vendor include more detail on the invoices submitted.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Employment Services (DOES)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-44	U.S. Department of Labor (DOL) Unemployment Insurance CFDA Number 17.225	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circular A-102 Common Rule requires procurements to be competitively bid and the contract files to document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price. In addition, the Common Rule requires that cost or price analysis be performed in connection with procurement actions.

Condition – DOES did not use the District's Procurement Office to process a transaction with one vendor; instead, DOES issued a memorandum of understanding with the vendor. As a result, District and Federal procurement regulations were not followed. In addition, the District's Procurement Office did not perform a cost or price analysis of another vendor's proposed costs.

Context – This is a condition identified per review of DOES' compliance with specified requirements and per review of all procurements over \$25,000 for the fiscal year under audit.

Effect – The procurement costs may not be reasonable in comparison to other similar procurements.

Cause – DOES management indicated that the procurement was not processed through the District's Procurement Office because DOL had approved the use of vendor for the services requested. The District's Procurement Office did not provide a reason for not performing a cost or price analysis for the one vendor.

Recommendation – We recommend DOES process all applicable procurements through the District's Procurement Office to ensure compliance with all District and Federal procurement laws and regulations.

We also recommend the Procurement Office perform a cost or price analysis on District agency procurements to ensure that the procurement costs are reasonable.

Views of Responsible Officials and Planned Corrective Actions – As to the first finding and recommendation, DOES does not concur. The precedent for the PGWSC [*The PGPIC (which after the Workforce Investment Act was renamed to Prince Georges Workforce Services Corporation (PGWSC)) was an incorporated, private nonprofit agency that had been designated, under the Workforce Investment Act, by the State of Maryland and the County to administer federal one stop programs. The PGWSC had a history of providing effective, innovative programs and management for a range of diverse workforce development programs*] relationship began in 1996 when the United States Department of Labor orchestrated the first regional procurement collaboration between federally approved workforce development administrative entities in the Washington Metropolitan area.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

That year the USDOL Region II office fostered the collaboration between the D.C. Department of Employment Services (DOES) and its federal counterpart in Montgomery County—the Montgomery County Private Industry Council (MCPIC), to procure services for the District's implementation of the Metropolitan Area Reemployment Project (MARF). MARF was the region's one stop solution to addressing a massive federal downsizing slated to commence that year. Not only did the federal government establish the precedent, the District won then Vice President Albert Gore's infamous "Hammer Award" on which his handwritten note thanked the collaboration for "building a government that works better and costs less."

On the basis of this highly effective and nationally acclaimed collaboration, in 1998, DOES, sought and received the consent of USDOL, the State of Maryland, and the District of Columbia's City Manager, to designate the Prince George's Private Industry Council (PGPIC), Inc. as the fiscal agent for its first one stop system development. In the fall of 1999, the USDOL awarded the State of Maryland more than \$3.9 million (Grant: #X-4913-5-00-80-60), on behalf of the District, for the purpose of providing the procurement services needed to develop a one-stop career system in the District.

PGWSC was the recipient of the federal funds and in partnership with DOES was responsible to the State of Maryland and the USDOL for fulfilling the fiscal requirements of the funding. PGWSC performs the work needed to expedite the development of the District's one stop initiative, using the administrative procedures and systems used to administer Maryland's federal funding.

DOES continued this highly effective collaboration through 2005 when it was determined that the services would no longer be needed since DOES had completed more than 90% of the DC Networks one stop system that the USDOL Region II office, the State of Maryland, and the District of Columbia's City Manager sought to implement when they selected the Prince George's Private Industry Council (PGPIC) to provide the services needed to develop a one-stop career system in the District.

Management concurs with the finding and recommendation regarding the cost price analysis and will request that the Office of Contracting and Procurement, an independent service agency, provide documentation or perform the required analysis.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Employment Services (DOES)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-45	U.S. Department of Labor (DOL) Unemployment Insurance CFDA Number 17.225	Reporting	Not Determinable

Criteria or Specific Requirement – Financial reports should include all activity of the reporting period and be supported by accounting or performance records.

Condition – The expenditures reported in 1 monthly ETA 2112 report and 1 quarterly ETA 191 report did not agree to DOES' accounting records.

Context – This is a condition identified per review of DOES' compliance with specified requirements. We reviewed 3 of the 12 monthly ETA 2112 reports and we reviewed 2 of the 4 quarterly ETA 191 reports.

Effect – The expenditures in the monthly ETA 2112 reports for November were understated by \$849,675. The expenditures reported for one federal agency was understated in the ETA 191 report by \$4,449.

Cause – DOES had not reconciled the expenditures reported in the ETA 2112 to its accounting records. Incorrect credits to one were posted to one federal agency's account.

Recommendation – We recommend DOES perform the following corrective actions:

- Reconcile the expenditures reported in the monthly ETA 2112 reports to its accounting records before submitting the reports to the federal government. We also recommend DOES revise the November 2004 report to reflect the actual expenditures along with the ending and beginning balances of subsequently submitted ETA 2112 reports.
- Review federal agency accounts for unusual transactions and postings. Incorrect postings should be corrected accordingly. We also recommend DOES consider revising the 1 quarterly ETA 191 to state the correct expenditures.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendations regarding the ETA 2112 and the ETA 191 and will revise the reports.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Department of Employment Services (DOES)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-46	U.S. Department of Labor (DOL) Unemployment Insurance CFDA Number 17.225	Special Tests and Provisions: Employer Experience Rating	Not Determinable

Criteria or Specific Requirement – Employer unemployment tax rates are to be based on prior reserve balances, paid tax payments, taxable employee wages, allocated share of Unemployment Compensation Trust Fund interest, and unemployment insurance benefit charges.

Condition – The Unemployment Compensation Trust Fund (UCTF) interest allocated to the employer's account did not agree to the interest earned by the UCTF by \$25,529.

Context – This is a condition identified per review of DOES' compliance with specified requirements. We reviewed the accuracy of the unemployment tax rates for 45 employers.

Effect – Employer's accounts may be understated due to the understatement in UCTF interest in calculating tax rates.

Cause – DOES had not reviewed the accuracy of the UCTF interest against the amount reflected in the UCTF statements before it was used to calculate employer's tax rates.

Recommendation – We recommend that authorizing officials within DOES review the accuracy of the UCTF interest before it is used to calculate employer's tax rates.

Views of Responsible Officials and Planned Corrective Actions – In July 2006, the Shared Service Center (SSC) implemented procedures to ensure that financial information is accurate when released to program staff. All staff was informed by email that financial data are not to be released to Program or any third party without the review of an SSC Manager. The policy was reviewed in staff meetings as well. The Associate Director responsible for the unemployment insurance program was directed not to accept financial data unless there is evidence of managerial review.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-47	U.S. Department of Justice	Allowable Costs	\$44,386
	Crime Victim Assistance CFDA Number 16.575		
	Byrne Formula Grant Program CFDA Number 16.579		
	Local Law Enforcement Block Grants Program CFDA Number 16.592		

Criteria or Specific Requirement – OMB Circular A-87 cost principles state that costs charged to a federal program are allowable if the costs are adequately supported.

Condition – During our testing, we noted the following condition in the Crime Victim Assistance program:

- 1) OCA charged 1 employee's wages to the program that should not have been charged and was unable to provide the time and attendance effort record for another employee's wages charged to the grant.

During our testing, we noted the following condition in the Byrne Formula Grant Program:

- 2) The Office of Finance and Resource Management (OFRM) charged wages and benefits to the program for 2 employees that were not in accordance with their time and effort records. OCA also was unable to provide the time and effort records, timesheets, and personnel action forms to support the allocated wages and benefits of another employee who worked in a different department.

During our testing, we noted the following condition in the Local Law Enforcement Block Grants Program:

- 3) OCA was unable to provide supporting documentation for payroll transactions which had been charged to the program.

Context – This is a condition identified per review of OCA's compliance with specified requirements.

Crime Victim Assistance program: We reviewed 1 out of 80 payroll transactions. Total payroll costs charged to the program were \$46,809. Questioned costs attributable to this program amount to \$4,075.

Byrne Formula Grant Program: We reviewed 4 out of 125 payroll transactions. Total payroll costs charged to the program were \$178,009. Questioned costs attributable to this program amount to \$7,632.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Local Law Enforcement Block Grants Program: Questioned costs attributable to this program are the total payroll costs charged during the fiscal year amounting to \$32,679.

Effect – The unsupported payroll costs are considered unallowable to the program.

Cause – For the Crime Victim Assistance program, OCA did not record the proper adjustments to remove the employees' wages from the grant. OCA misplaced the one employee's time and attendance effort records.

For the Byrne Formula Grant Program, OCA forwarded the time and effort records to OFRM to make the proper adjustments in the SOAR accounting system. OFRM misplaced the time and effort records.

For the Local Law Enforcement Block Grants Program, it appears that management does not have adequate policies in place to ensure compliance with allowable cost requirements.

Recommendation – We recommend OCA monitor payroll costs charged to the grant each pay period. OCA may consider attaching the signed employee allocation timesheets which support the hours worked on the grant to the journal entry documents. Direct charges to the grant from the District's payroll system should be investigated for allowability. We also recommend OCA maintain time and attendance effort records for a minimum of three years.

Views of Responsible Officials and Planned Corrective Actions – The following is noted:

Crime Victim Assistance: With regard to the missing time and attendance effort record for the employee's wages, this was an isolated case. The employee had been out on maternity leave. Soon after she returned she resigned. The auditors reviewed her final pay period. It is part of OVS procedure that a time and attendance effort record is always completed and signed by the employee and by the supervisor, along with a time sheet for each pay period. Copies of both forms are kept on file in the OVS office.

The Office of Finance and Resource Management has revamped how personal services expenditures are allocated among the various programs. The personal services cost related to the \$4,075, was also an isolated accounting error.

Byrne Formula Grant Program: The Office of Finance and Resource Management has revamped how personal services expenditures are allocated among the various programs. Corrective steps have been taken to fix this problem.

Local Law Enforcement Block Grants: This finding was due to a lack of understanding of the governing provision and was an isolated instance associated with one employee and that the salary and wages charged to the Federal Project appropriately reflected that of the same employee and that all other employee salaries and wages charged to the SAA's federally awarded grant phases were allocated appropriately as defined in the governing provision.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-48	U.S. Department of Homeland Security Homeland Security Cluster CFDA Numbers 97.004 and 97.067 Urban Areas Security Initiative CFDA Number 97.008	Allowable Costs	\$70,575

Criteria or Specific Requirement – Per Attachment A of OMB Circular No. A-87 Section C (1) (j), it is noted that to be allowable under Federal awards, costs must be adequately documented.

Condition – OCA failed to provide adequate supporting documentation to certify that only allowable costs were charged to the grant.

- 1) Homeland Security Cluster: Out of a sample of 77 transactions, adequate documentation was not provided for 1 intra-district transaction.
- 2) Urban Areas Security Initiative: Out of a sample of 77 transactions, adequate documentation was not provided for 1 intra-district transaction.

Context – This is a condition identified per review of OCA's compliance with specified requirements. Questioned costs attributable to the Homeland Security Cluster amount to \$26,805. Questioned costs attributable to the Urban Areas Security Initiative program amount to \$43,770.

Effect – Unsupportable costs are considered unallowable to the program.

Cause – Fiscal personnel do not have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles.

Recommendation – We recommend that OCA implement policies and procedures to ensure that complete documentation is exchanged between the buyer and seller for all intra-district transactions prior to recording in SOAR. Supporting documentation should be maintained at the transactional level and fiscal personnel should review to ensure compliance with OMB Circular A-87.

Views of Responsible Officials and Planned Corrective Actions – The OCA will assure that adequate policies and procedures are established to ensure compliance with applicable cost principles in accordance with OMB Circular No. A-87, Section C (1) (j).

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
------------	----------------	-------------------------------	-------------------------

2005-49

This finding # was not used.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u> Reporting	<u>Questioned Costs</u> Not Determinable
2005-50	U.S. Department of Justice Crime Victim Assistance CFDA Number 16.575 Byrne Formula Grant Program CFDA Number 16.579		

Criteria or Specific Requirement – Financial reports should include all activity of the reporting period and be based on an entity's accounting records.

Condition – During our testing, we noted following condition in the Crime Victim Assistance program:

- 1) Local expenditures stated in OCA's quarterly SF-269 Financial Status reports for the 2002 and 2003 Crime Victim Assistance grants did not agree to its accounting records.

During our testing, we noted following condition in the Byrne Formula grant program:

- 2) Local expenditures stated in OCA's SF-269 Financial Status report for the quarter ended September 30, 2005, for the 2001 Byrne Formula grant, did not agree to its accounting records.

Context – This is a condition identified per review of OCA's compliance with specified requirements.

Crime Victim Assistance program: OCA submitted 4 quarterly reports for the 2001, 2002, 2003, and 2004 grant awards. Only one quarter was submitted for the 2005 grant award. Local expenditures were only reported for the 2001, 2002, and 2003 grants.

Byrne Formula Grant Program: OCA submitted 4 quarterly reports to the Department of Justice for the 2001 Byrne Formula grant during fiscal year 2005.

Effect – The local expenditures indicated in the quarterly report(s) appear to be misstated.

Cause – For the Crime Victim Assistance program, OCA included as local expenditures the costs required to be matched by its sub-grantees as stated in its grant award agreement instead of the actual certified matching costs reported by the sub-grantees to OCA. For the Byrne Formula grant program, OCA included a purchase order amount in its local expenditures.

Recommendation – We recommend OCA include in its local expenditures only those expenditures that are appropriately supported by an invoice or other receipt documentation.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Views of Responsible Officials and Planned Corrective Actions – The following is noted:

Crime Victim Assistance program: The Office of Victim Services is currently reconstructing any incomplete subgrantee files for the 2002 and 2003 Crime Victim Assistance Grants to ensure that they include subgrantee certifications of the in-kind and cash match contribution that constitute the local expenditures reported on the SF-269 Financial Status Reports. This process will be completed within 180 days.

Byrne Formula Grant Program: This organization discovered the overstatement prior to the audit and has been working with the USDOJ Office of the Comptrollers for a resolution which is currently before the USDOJ Regional Office of the Inspector General. Documentation has been provided to support the efforts behind this statement.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-51	U.S. Department of Justice Local Law Enforcement Block Grants Program CFDA Number 16.592	Reporting	Not Determinable

Criteria or Specific Requirement – The SF-269 requires the signature of an authorized certifying official who asserts that to the best of his/her knowledge and belief, the report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.

Condition – The District is required to submit Financial Status Reports (Standard Form 269) to the Office of Domestic Programs (ODP) for grant awards 2002LBBX2231, 2003LBBX2216 and 2004LBBX1078, within 45 days of each quarter to report program outlays.

We selected 6 out of the 12 SF-269s submitted to ODP during fiscal year 2005 and noted that for 1 SF-269s tested, the report contained no evidence of approval by an authorized official.

Context – This is a condition identified per review of OCA's compliance with specified requirements. The SF-269 for the quarter ended June 30, 2005 was not certified by an authorized officer and was submitted on December 6, 2005, which is 114 days after the deadline. Although, we were informed that this report was a resubmission, the original report was not provided.

Effect – A lack of review of the SF-269s could result in the reporting of inaccurate information to the federal awarding agency.

Cause – There appear to be insufficient monitoring controls in place over financial reporting.

Recommendation – We recommend that OCA reevaluate its monitoring policies and procedures. Reports should be reviewed by an appropriate official, who should ensure timely submission.

Views of Responsible Officials and Planned Corrective Actions – The report at issue, at the Program Director's request, has been signed after the fact by both the employee that compiled and submitted the report and the Program Director. OCA believes this to be an isolated occurrence as the defined process is that the reports to be reviewed by and signed or initialed by both the managers of "cash management" and the Office of Justice Grants Administration prior to submission with a hardcopy printed and signed by the submitting employee as the Authorized Certifying Official and maintained on file.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-52	U.S. Department of Homeland Security Homeland Security Cluster CFDA Numbers 97.004 and 97.067 Urban Areas Security Initiative CFDA Number 97.008	Reporting	Not Determinable

Criteria or Specific Requirement – The grant agreement states in part that "...obligations and expenditures must be reported to Office of Domestic Preparedness (ODP) on a quarterly basis through the Financial Status Report, which is due within 45 days of the end of each calendar quarter."

Condition – During our testing, we noted the following condition in the Homeland Security Cluster programs:

- 1) The District is required to submit the Financial Status Reports (Standard Form 269) to ODP for grant awards 2003-TETX0186, 2003MUT30053, 2004GET40020, and 2005GET50024 within 45 days of each quarter to report program outlays. We selected 8 out of the 16 SF-269s submitted to ODP during fiscal year 2005 and noted that 4 were not submitted timely.

During our testing, we noted the following condition in the Urban Areas Security Initiative program:

- 2) The District is required to submit the Financial Status Reports (Standard Form 269) to ODP for grant awards 2003-TUTX0006, 2003-EUT30021, and 2004TUT40010, within 45 days of each quarter to report program outlays. We selected 6 out of the 12 SF-269s submitted to ODP during fiscal year 2005 and noted 2 were not submitted timely.

Context – This is a condition identified per review of OCA's compliance with specified requirements.

Homeland Security Cluster programs: The financial status report for the quarter ended June 30, 2005 for grant number 2003TETX0186 was submitted on September 19, 2005, which is 36 days late. The financial status reports for the quarter ended September 30, 2005 for grant numbers 2003MUT30053, 2004GET40020, and 2005GE50024 were submitted on November 21, 2005, which is 7 days after the deadline.

Urban Areas Security Initiative program: The financial status reports for the quarter ended September 30, 2005 for grant numbers 2003TUTX0006 and 2003EUT30021 were submitted on November 21, 2005, which is 7 days after the deadline.

Effect – The late submission of the financial status reports may affect the federal agency's ability to promptly monitor the expenditures incurred by OCA.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Cause – There appear to be insufficient monitoring controls in place over financial reporting.

Recommendation – We recommend that OCA reevaluate its monitoring policies and procedures. Reports should be reviewed by an appropriate official, who should ensure timely submission.

Views of Responsible Officials and Planned Corrective Actions – The OCA agrees with the finding. Henceforth, we will submit the SF269 in accordance with federal reporting requirements.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
------------	----------------	-------------------------------	-------------------------

2005-53

This finding # was not used.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-54	U.S. Department of Homeland Security Urban Areas Security Initiative CFDA Number 97.008	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – OCA did not perform the required monitoring of subrecipient activities. During our procedures, we noted that OCA did not take prompt corrective action on any audit findings contained in OMB Circular A-133 reports received from subrecipients and did not evaluate the impact of subrecipients activities on OCA.

Context – This is a condition identified per review of OCA's compliance with specified requirements.

Effect – The subgrantees may not be complying with the specified laws and regulations.

Cause – OCA does not follow adequate policies and procedures to demonstrate that it has complied with the requirements of OMB Circular A-133 for subrecipient monitoring.

Recommendation – OCA should develop policies and procedures to ensure that it is appropriately monitoring subrecipient activities. In performing the monitoring function, OCA should ensure that it documents the following:

- Scope of its review (inspection, review of management documentation, review of performance requirements, review of OMB Circular A-133 report, review of financial requirement, etc.);
- Date of the review;
- Personnel performing the review;
- Planned procedures;
- Results of the review; and
- Formalized corrective action plan.

The policies and procedures should outline an appropriate timeframe for follow-up and the types of follow-up required in various situations.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

All documentation should be maintained for monitoring efforts in subrecipient monitoring folders, organized by the subrecipient. Suggested corrective action plans and complete documentation of disciplinary actions taken regarding subrecipients' noncompliance with laws and regulations should also be documented.

Views of Responsible Officials and Planned Corrective Actions – The Deputy Mayor's Office of Homeland Security (OHS), which administers and monitors all UASI grant funds, has hired additional program management staff to strengthen its *overall* management and monitoring of subrecipients. The program management staff has begun to ensure effective and efficient implementation of projects and provides a mechanism for oversight and management from the program perspective. The program management staff is working closely with subrecipients to perform the following duties:

- Implementing methodologies to track subrecipient progress and measuring outcomes to evaluate how funds are being spent to support reimbursement requests;
- Coordinating with state and local leaders to ensure that subrecipient projects and tasks meet collective state and / or regional strategic goals and objectives; and ensuring smooth integration of diverse program projects and tasks;
- Facilitating prompt issue resolution;
- Providing comprehensive weekly, monthly, quarterly, and periodic project updates;
- Obtaining quick feedback on ideas, plans, and actions from relevant stakeholders and publish outcomes, as appropriate;
- Monitoring the master database to track progress, identifying projects at risk, engaging jurisdictional project managers and regional committees for action, and recommending alternate spending decisions, where necessary.

The necessary steps have been taken to ensure appropriate management and oversight of subrecipients to verify that proper support exists for reimbursement requests.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
------------	----------------	-------------------------------	-------------------------

2005-55

This finding # was not used.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-56	U.S. Department of Homeland Security Urban Areas Security Initiative CFDA Number 97.008	Special Tests and Provisions: Solicitations	Not Determinable

Criteria or Specific Requirement – The program directive states that "...the state must also issue a solicitation within 60 days for organizations to apply for funds allocated to nonprofit organizations."

Condition – OCA issued its solicitation for organizations to apply for grant funds allocated to nonprofit organizations on June 20, 2005, which was after the deadline required by the program directive.

Context – This is a condition identified per review of OCA's compliance with specified requirements.

Effect – OCA is in direct violation of specified requirements.

Cause – The District's Office of Contracts and Procurement was unable to issue the solicitation in a timely manner. The grant award to OCA was issued by ODP on March 1, 2005. The solicitation was issued 51 days late.

Recommendation – We recommend that OCA implement policies and procedures to ensure that the solicitation of organizations to apply for funding allocated to nonprofit organizations is issued within the timeframe required by the program directive.

Views of Responsible Officials and Planned Corrective Actions – We agree to implement policies and procedures to ensure that the solicitation of organizations is issued in a timely manner.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-57	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Allowable Costs: Nonpayroll Transactions	\$21,453

Criteria or Specific Requirement – Under OMB Circular A-87 cost principles, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards; be allocable to federal awards under the provisions of the Circular; and be adequately documented to be allowable under federal awards.

Condition – OAG charged a late fee and a duplicate payment to the program and was unable to provide adequate supporting documentation for 10 transactions which had been selected for testing. In addition, OAG had not properly approved 3 transactions which had been selected for testing.

Context – This is a condition identified per review of OAG's compliance with specified requirements. The total transactions reviewed amounted to \$521,369.

Effect – The transactions are considered unallowable under OMB Circular A-87 cost principles.

Cause – OAG charged the remaining balances of some purchase orders as expenditures to the program; OAG misplaced supporting documentation for some of the expenditures reviewed; OAG did not maintain the supporting documentation for transactions charged to an employee's credit card; and OAG did not properly review and monitor the disbursements charged to the program.

Recommendation – We recommend OAG (a) only charge transactions to the grant that represent actual expenditures incurred; (b) maintain supporting documentation for expenditures for a minimum of three years; and (c) monitor and approve all disbursements charged to the program.

Views of Responsible Officials and Planned Corrective Actions – The following is noted:

- (a) OAG charged the remaining balances of some purchase orders as expenditures to the grant.

OAG has replaced the previous financial manager responsible for Child Support Services Division. New procedures have been initiated which provide two levels of management review of charges prior to submission of the report to the Federal Regional Office.

- (b) OAG misplaced supporting documentation for some of the expenditures reviewed.

OAG will provide staff training in file management to responsible staff members and perform periodic reviews by the accounting manager of reported transactions to ensure proper filing of supporting documentation.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

- (c) OAG did not maintain the supporting documentation for transactions charged to an employee's credit card.

OAG established an Agency Review Team (ART) as mandated under the government credit card program. The team meets and reviews credit card expenditures and documentation on a monthly basis. Expenditure documentation is maintained in the payment file.

- (d) OAG did not properly monitor the disbursements charged to the grant.

New procedures have been initiated which provide two levels of management review of charges prior to submission of the report to the Federal Regional Office.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2005-58	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Allowable Costs: Payroll Transactions	\$34,545

Criteria or Specific Requirement – Under OMB Circular A-87 cost principles, employees who are expected to work solely on a single federal award or cost objective, their salaries and wages must be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

For employees who work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation. In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards; be allocable to federal awards under the provisions of the Circular; and be adequately documented to be allowable under federal awards.

Condition – OAG was unable to provide adequate supporting documentation for payroll costs charged to the program in accordance with OMB Circular A-87 cost principles. We noted the following:

- 1) OAG had not completed semi-annual certifications for employees who worked 100% on the grant and personnel activity reports for employees who worked less than 100% of the time on the grant.
- 2) OAG was unable to provide personnel actions for 7 employees.

Furthermore, OAG had not consistently reconciled the payroll costs charged to the program by the District's payroll system with the time and attendance forms completed by the grant employees.

Context – This is a condition identified per review of OAG's compliance with specified requirements. We reviewed 33 payroll transactions totaling \$34,545.

Effect – The transactions are considered unallowable under OMB Circular A-87 cost principles.

Cause – The employee who prepared the payroll reconciliations left during the fiscal year and this function was not transferred to another employee. Comprehensive policies and procedures are not in place to ensure the completion of the semi-annual certifications and to ensure proper maintenance of records.

Recommendation – We recommend OAG (a) establish policies and procedures over the completion of the semi-annual certifications and personnel activity reports for the employees whose time is charged to the grant; (b) delegate the payroll reconciliation function to two or more employees to ensure that the payroll costs are reconciled; and (c) maintain copies of the personnel action forms processed by the District's Human Resource Department.