

Government of the District of Columbia

Schedules of Expenditures of Federal Awards and Reports Required by
Government Auditing Standards and OMB Circular A-133

Year Ended September 30, 2014

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GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Government of the District of Columbia

Independent Auditors' Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2014



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2015. The financial statements of the District of Columbia Housing Financing Agency, a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. See findings 2014-01 through 2014-06 in the accompanying schedule of findings and responses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in finding 2014-02 in the accompanying schedule of findings and responses to this report.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

January 28, 2015

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Responses

Finding 2014-01 – Weaknesses in the District’s General Information Technology Controls

Background:

General Information Technology Controls (GITCs) provide the foundation for a well-controlled technology environment that supports the consistent processing and reporting of operational and financial data in accordance with management’s directives. Our audit includes an assessment of selected GITCs in four (4) key control areas: Access to Programs and Data, Program Changes, Program Development, and Computer Operations. During our assessment, we noted that, while the District made progress and remediated certain GITC findings identified during our prior year audit, GITC-related control deficiencies continue to exist within Access to Programs and Data and Program Changes.

Due to the deficiencies noted within the District’s Automated Client Eligibility Determination System (ACEDS), PeopleSoft (HR and Payroll system), and Computer Assisted Mass Appraisal (CAMA) and the University of the District of Columbia’s (UDC’s) Banner System GITC environments that were identified throughout our audit fieldwork, which have ultimately led to one or more ineffective GITC objectives for these environments, we were not able to rely on automated controls or system-generated reports supported by these application environments.

However, we did note that management remediated several control deficiencies from the prior year. There were 45 findings documented in fiscal year (FY) 2013. Of them:

- 11 represented findings that had been remediated during FY 2013 (as part of remediation efforts for FY 2012 findings);
- 23 were fully remediated and an additional 6 were partially remediated during FY 2014; and,
- 1 finding was removed from scope in FY 2014.

As noted above, the District has already remediated several GITC deficiencies during FY 2014. However, as these remediation efforts did not take place until FY 2014 was well under way, the conditions continued to exist during part of the fiscal year and thus are included in this year’s report. This is specifically true with CAMA, for which the majority of their findings were remediated within FY 2014.

Our FY 2014 findings included the following:

Access to Programs and Data

Conditions:

1. Failure to consistently restrict privileged and general user access to key financial applications, databases, and servers in accordance with employee job responsibilities or segregation of duties considerations.
2. Inconsistent performance and documentation of logical user access administration activities, including the approval of new user access and access changes, periodic review of user access rights, including whether user access is commensurate with job responsibilities, and timely removal of user access upon employee termination.

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3. Use of and/or lack of sufficient control over generic accounts with access to perform system administration or end user functions within key applications.

Program Changes

Conditions:

1. Failure to consistently restrict developer access to the production environments of key financial applications in accordance with segregation of duties considerations or, if not feasible, implement independent monitoring controls to help ensure changes applied to the production environment are authorized.

The table on the following page summarizes the key financial applications tested as part of the FY 2014 financial statement audit. It includes findings from all applications, including those not specifically mentioned in the significant deficiency above.

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Schedule of Findings and Responses

Table 1: Summary of Applications Impacted by the Findings

GITC Area	Access to Programs and Data					Program Changes					Computer Operations				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Central and Overarching Applications															
Automated Claims Eligibility Determination System (ACEDS)	Red	Yellow	Yellow	Red	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Gray	Gray	Gray	Gray	Gray
Computer-Assisted Mass Appraisal System (CAMA)	Gray	Gray	Red	Yellow	Yellow	Gray	Gray	Red	Yellow	Green	Gray	Gray	Yellow	Green	Gray
CFO\$olve	Gray	Gray	Gray	Yellow	Green	Gray	Gray	Gray	Yellow	Green	Gray	Gray	Gray	Gray	Gray
iNovah	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green
PeopleSoft (HR/Payroll System)	Red	Yellow	Yellow	Yellow	Red	Red	Yellow	Yellow	Yellow	Gray	Gray	Gray	Gray	Gray	Gray
Procurement Automated Support System (PASS)	Red	Yellow	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Gray	Gray	Gray	Gray	Yellow
System of Accounting and Reporting (SOAR)	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green
Time, Attendance, and Court Information System (TACIS)	Red	Yellow	Yellow	Green	Gray	Red	Yellow	Yellow	Green	Gray	Gray	Gray	Gray	Gray	Gray
Tax Administration System (TAS)	Red	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Green	Green	Green	Yellow	Yellow	Green	Green	Green
Department of Employment Services															
Budget and Reporting Tracking System (BARTS)	Red	Green	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Green	Green	Yellow	Green	Green
District Online Compensation System (DOCS)	Red	Yellow	Yellow	Yellow	Yellow	Red	Yellow	Yellow	Green	Yellow	Green	Yellow	Green	Green	Green
District Unemployment Tax Administration System (DUTAS)	Red	Yellow	Yellow	Yellow	Yellow	Red	Yellow	Red	Yellow	Yellow	Green	Yellow	Green	Green	Green
Health Benefit Exchange Authority (HBEX)															
District of Columbia Access System (DCAS)	Gray	Gray	Gray	Gray	Red	Gray	Gray	Gray	Gray	Red	Gray	Gray	Gray	Gray	Green
United Medical Center															
Meditech Health Care Information System (HCIS)	Red	Yellow	Red	Yellow	Green	Green	Red	Green	Red	Green	Red	Green	Gray	Gray	Gray
University of the District of Columbia															
Banner	Gray	Red	Red	Yellow	Yellow	Gray	Red	Red	Yellow	Yellow	Gray	Gray	Gray	Gray	Gray

Application In-Scope	
Red	Objective Deemed Ineffective
Yellow	Findings Noted But Objective Deemed Effective
Green	No Findings Noted in Area
Gray	Area Not Fully Tested

Application Not In-Scope	
Red	New Findings Identified
Yellow	PY NFRs Remain
Green	All PY NFRs Remediated

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Criteria:

Our internal framework for identifying and testing GITCs can be mapped to several commonly accepted information technology risk and control frameworks including those published by the National Institute of Standards and Technology (NIST), Information Systems Audit and Control Association (ISACA), and the International Standards Organization (ISO). For purposes of our reporting of findings for the District of Columbia Government, we have provided below relevant criteria.

1. The Federal Information Security Management Act (FISMA), passed as part of the Electronic Government Act of 2002, mandates that Federal entities maintain IT security programs in accordance with NIST. The following NIST criteria were considered:
 - a. NIST SP 800-12, An Introduction to Computer Security: The NIST Handbook, October 1995;
 - b. NIST SP 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations, August 2009;
 - c. NIST SP 800-64, Security Considerations in the System Development Life Cycle, October 2008; and
 - d. NIST SP 800-14, Generally Accepted Principles and Practices for Securing Information Technology, September 1996.
2. The Information Systems Audit Control Association (ISACA) Control Objectives for Information and related Technology (COBIT®) 5, 2012.

Cause/Effect:

Although management has made progress remediating previous findings, most notably within Computer Operations as well as the CAMA, MEDITECH HCIS, and PASS Applications, additional improvements in formalizing key GITC processes and creating an effective monitoring function are needed. Both the PeopleSoft and Banner applications have system limitations that need to be corrected before the findings can be remediated. The District is in the process of developing a plan to address those limitations. Furthermore, the ACEDS application is being replaced shortly, and as a result, new developments to support the application have not been approved. The existence of these findings increases the risk that unauthorized changes applied to key financial applications and the data they process adversely affect application processing and data integrity and, as a result, may materially impact the financial statements. Additionally, the existence of these findings impacts the reliability of key application reports and the ability to rely upon automated, configurable controls embedded within key financial applications.

Recommendations:

We recommend that management continue to perform the remediated control activities put in place. Further, we recommend that management monitor the effectiveness of these controls on a regular and periodic basis going-forward.

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Specifically, we recommend the following:

- Related to Access to Programs and Data controls, we recommend that management:
 - a. Assess and update or, as applicable, develop and document access management policies and procedures for production applications and underlying infrastructure systems. These policies and procedures should address requirements for clearly documenting user access requests and supervisory authorizations, periodic reviews of the appropriateness of user access by agency business management, timely communication of employee separations/transfers, and disablement/removal of the related user access. Management should formally communicate policies and procedures to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.
 - b. Develop and implement controls that establish organizational and logical segregation between program development roles, production administration roles, and business end user roles among different individuals or, a process to independently monitor the activities of users provided with conflicting system access. Monitoring activities as well as the outcome of such activities should be documented with the necessary follow-up being completed with regards to any suspicious activity within the system.
 - c. Restrict the use of generic IDs or, if such access is required, implement independent monitoring of the activities performed using generic IDs.
- Related to Program Change controls, we recommend that management:
 - a. Develop and implement change management processes and controls that establish one or more of the following:
 - i. Organizational and logical segregation of program development roles from production system and database administration roles among different individuals; and
 - ii. Implementation of one or more independently operated monitoring controls over the activities of the developers (and other individuals) with administrative access that require the documentation of monitoring activities as well as follow-up on any suspicious behavior within the system. Documentation of these monitoring controls should be maintained and should include sign-off of the review as well as notations as to the appropriateness of the actions taken by the developers within the database. Further, sufficient follow-up actions should be taken for any suspicious activity, such as modifications to functionality or data without corresponding change request approvals.
 - b. Configure settings or implement monitoring tools to log changes made to application functionality, including all configuration changes.

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These procedures should be provided to and discussed with the personnel responsible for enforcing the control activity. Further, management should monitor the personnel responsible for enforcing the control activity periodically.

Management Response:

Management concurs with the findings as reported by the auditors. We will further assess the deficiencies in general information technology controls as reported by the independent auditors and consider their recommendations for improvement. After thoroughly analyzing the factors contributing to each deficiency, we will develop and implement the most feasible and practicable corrective actions. To the extent that measures have already been put in place to remediate findings, we will continue in our efforts to fully resolve all reported issues and will monitor the effectiveness of those measures to prevent recurrence of findings.

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Governmental Activities and Major Governmental Funds

The following findings and recommendations relate to control deficiencies noted in our FY 2014 audit of the District's Governmental Activities and Major Governmental Funds that we considered to be significant deficiencies:

Finding 2014-02 – Weaknesses in the District's Procurement and Disbursement Controls and Non-compliance with Laws and Regulations

Background:

During our FY 2014 testwork, we noted that in order to be as efficient and effective as possible, the District has established District-wide policies and procedures to procure goods and services and to make payments for those goods and services at the Office of Contracts and Procurement (OCP), as well as at those agencies that have independent procurement authority. Further, these policies and procedures serve to ensure the District's compliance with various laws and regulations governing procurement and payments, such as the Procurement Practices Act and the Quick Payment Act.

OCP has implemented a comprehensive, multi-year remediation plan to address previously identified deficiencies; however, these efforts are not completed and we still noted deficiencies that continue from previous years. The following section summarizes the results of our FY 2014 tests of compliance and internal controls over District-wide procurement policies and procedures.

Conditions:

For a sample of competitive procurements we noted:

- For 3 of 43 sampled items, evidence that the procurement was awarded through the competitive sealed bidding process was not available for review;
- For 8 of 43 sampled items, evidence of the search performed to ensure that the vendor was not included on the excluded party list prior to the execution of the contract was not available for review;
- For 9 of 43 sampled items, evidence of contractor compliance with the District tax code was not available for review;
- For 2 of 43 sampled items, the respective contract/agreement was not available for review; and
- For 2 of 43 samples, although the contract was procured in compliance with applicable District laws and regulations, per review of the contract file, the contract type was incorrectly identified in the District's the Procurement Automated Support System (PASS).

For our sample of emergency procurements we noted:

- For 1 of 3 sampled items, evidence of the City Council's approval of the contract prior to the purchase order being issued was not available for review;
- For 1 of 3 sampled items, evidence of the Office of the Attorney General's review of the contract for legal sufficiency was not available for review;

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- For 1 of 3 sampled items, an emergency procurement was awarded due to the existing contract having expired and the service being needed to provide coverage until a competitively awarded contract was executed. Although we noted that the services being procured were to provide coverage for an interim period, the justification for the emergency procurement was a lack of adequate advance planning for the procurement or delays in procurement caused by administrative delays, lack of sufficient procurement personnel, or improper handling of contracts;
- For 1 of 3 sampled items, the respective contract / agreement was not available for review; and
- For 1 of 3 sampled items, the emergency procurement period of performance exceeded the 90-day maximum duration required for an emergency procurement.

For our sample of sole source procurements we noted:

- For 3 of 39 sampled items, evidence of the search performed to ensure that the vendor was not included on the excluded party list prior to the execution of the contract was not available for review;
- For 3 of 39 sampled items, evidence of contractor compliance with the District tax code was not available for review;
- For 2 of 39 sampled items, the determination and finding was not available for review;
- For 5 of 39 sampled items, the respective contract / agreement was not available for review;
- For 1 of 39 sampled items, evidence of the City Council's approval of the contract prior to a purchase order being issued was not available for review;
- For 1 of 39 sampled items, evidence of the Office of the Attorney General's review of the contract for legal sufficiency was not available for review;
- For 1 of 39 sampled items, the contracting officer's warrant was not available for review to validate the officer's authorizing power;
- For 1 of 39 sampled items, a sole source procurement was awarded; however, there was no evidence to suggest that there was only one source for the required services. Further, we noted that the services being procured were to ensure continuity and avoid interruption of services until a long term contract could be put in place. However, the justification for the sole source was a lack of adequate advance planning for the procurement, delays in procurement caused by administrative delays, lack of sufficient procurement personnel, or improper handling of contracts, all which are not sufficient justification for use of sole source procurement;
- For 2 of 39 sampled items, the contract did not cover the period of the purchase order. Upon further review, it was noted that the purchase order was issued after the contract expiration date; and

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- For 2 of 39 sampled items, although the contract was procured in compliance with applicable District laws and regulations, per review of the contract file, the contract type was incorrectly identified in the District's procurement system PASS.

During our testing over procurement transactions for District agencies with independent procurement authority, we noted the following:

For a sample of competitive procurements we noted:

- For 9 of 37 sampled items tested, approval of purchase orders was granted by individuals that did not have warrant authority to bind the District into a procurement agreement; exceptions relate to the Department of General Services.
- For 4 of 37 sampled items tested, evidence that the procurement was awarded through the competitive sealed bidding process was not available for review; 2 exceptions related to the Deputy Mayor for Planning and Economic Development, and 2 exceptions relate to the Department of Disability Services;
- For 1 of 37 sampled items tested, evidence that a search to ensure that vendors were not included on the Federal or District of Columbia excluded party lists prior to the execution of the contract was not available or was insufficient for review; 1 exception relates to the Department of General Services.
- For 2 of 37 sampled items tested, evidence of contractor compliance with the District tax code was not available for review; all exceptions relate to the Department of General Services.

For a sample of emergency procurements we noted:

- For 1 of 5 sampled items tested, approval of purchase orders was granted by individuals that did not have warrant authority to bind the District into a procurement agreement; exception relates to the Department of General Services.
- For 1 of 5 sampled items tested, evidence that the procurement was awarded through the competitive sealed bidding process was not available for review; exception relates to the Department of General Service.

For 1 of the 5 sampled items tested, a contract was not available for review; exception relates to the Department of General Services.

For a sample of sole source procurements we noted:

- For 4 of 41 sampled items tested, approval of purchase orders was granted by individuals that did not have warrant authority to bind the District into a procurement agreement; exceptions relate to the Department of General Services.
- For 3 of 41 sampled items tested, a contract was not available for review; 1 exception relates to the Department of the Deputy Mayor for Planning and Economic Development, 1 exception relates to the

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District of Columbia Public Library, and 1 exception relates to the Office of the Chief Financial Officer.

- For 1 of 41 sampled items tested, evidence of compliance with the District's tax code was not available for review; the exception relates to the Department of General Services.

During our testing of procurement and disbursement transactions at the District of Columbia Public Schools, (DCPS), we noted that DCPS had a total of \$154,443,230 in non-personnel expenditures in FY 2014. During our testwork over a sample of 40 disbursements totaling \$16,276,205, we noted that DCPS did not comply with the District of Columbia's Quick Payment Act for eight of the expenditures totaling \$1,342,471. Specifically, we noted that payment for all eight transactions was made more than 30 days after the Chief Financial Officer's (CFO) Office received the invoice. The average length of time between receipt of the invoice and payment for the exceptions noted was 46 days.

During our testwork over the purchase card (P-card) transactions, we noted the untimely review of monthly P-card reconciliations between the cardholder transaction statement, receipts and PaymentNet; and the lack of proper authorization for P-card transactions. Specifically, we noted the following:

Of a sample of 40 monthly P-card reconciliations totaling \$192,232 and consisting of 315 individual P-card transactions we noted the following:

- For 4 of 40 P-Card reconciliations, approval was not provided for the monthly P-cardholder transactions statement by an Approving Official to demonstrate that the reconciliation was performed. These exceptions relate to the following departments: (1) Office of Administrative Hearings, (2) Department of Human Services, (3) Office of Risk Management, and (4) Office of the Deputy Mayor for Public Safety and Justice.
- For 10 of 40 P-Card reconciliations, approval was not provided for the monthly P-cardholder transaction statements by an Approving Official (AO) by the required approval date stated in the applicable Office of Contracting and Procurement (OCP) policy. Exceptions relate to the following departments: (1) Office of the Inspector General, (2) Council of the District of Columbia, (3) Department of Motor Vehicles, (4) Department of Public Works, (5) Department of General Services, (6) Department of Fire and Emergency Medical Services, (7) Office of the Tenant Advocate, (8) Child and Family Services, and (9) Metropolitan Police Department.
- For 2 of 40 P-Card reconciliations, approval was not provided by an Approving Official (AO) for all transactions within the monthly P-cardholder transactions statements by the required approval date stated in the applicable Office of Contracting and Procurement (OCP) policy. Specifically:
 - 1 transaction on the September statement of a P-cardholder employed by the Department of Human Services lacked evidence of approval.
 - 1 transaction on the September statement of a P-cardholder employed by the Council of the District of Columbia lacked evidence of approval.

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In addition, we noted that OCP downloads the monthly purchase cardholder statements via the PaymentNet application, which is operated by Total Systems, Inc. (TSYS), a vendor of JPMorgan Chase, which are then reviewed and approved by an Approving Official. Thus, JPMorgan Chase is a service organization to OCP. Upon inquiry, we determined that OCP obtains and reviews on an annual basis a Type 1 Statement on Standards for Attestation Engagements No. 16 (SSAE 16) *Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting* (i.e. Type 1 SOC report). However, OCP does not have any end user controls in place to ensure information provided by JPMorgan Chase can be relied upon as complete and accurate.

Criteria:

Competitive Procurements

According to the **Procurement Practices Reform Act of 2010, Section 402**, “*Contracts exceeding \$100,000 shall be awarded by competitive sealed bidding unless the CPO issues a determination and finding that use of competitive sealed bidding is not practicable or not in the best interest of the District*”.

The **Procurement Practices Reform Act of 2010, Section 202** requires “A certification that the proposed contractor is current with its District and federal taxes or has worked out and is current with a payment schedule approved by the District or federal government.”

The **Procurement Practices Reform Act of 2010, Section 802** requires the contractor to “Certify that it is not debarred, suspended, or excluded from any federal or District program, including procurement programs.”

In addition, District of Columbia Municipal Regulations (DCMR) require the following:

1. Per **Title 27 DCMR, 1202.2** “*The documentation in each contract file maintained by the contract office shall be sufficient to constitute a complete history of the transaction for the following purposes:*
 - a) *Providing a complete background as a basis for informed decisions at each step of the procurement process;*
 - b) *Supporting actions taken;*
 - c) *Providing information for reviews and investigations; and*
 - d) *Furnishing essential facts in the event of litigation*”.
2. Per **Title 27 DCMR Chapter 47 (Department of General Service procurement policy)** “*The CCO may delegate his or her contracting authority to employees of the Department, or employees of the District of Columbia government acting on behalf of the Department, who shall be designated as "Contracting Officers." Any such delegation shall be in writing and shall specify any limits on a Contracting Officer's delegated authority (for example, limits on the dollar value of contracts the individual is authorized to award). In no case shall a Contracting Officer's authority exceed the CCO's authority. All such delegations shall be made publicly available on the Department's website*”.

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Emergency Procurements

In addition, District of Columbia Municipal Regulations (DCMR) require the following:

1. Per Title **27 DCMR, 1710.3**, *“The justification for emergency procurement shall not be based solely on internal governmental circumstances. In the absence of an emergency condition, an emergency procurement shall not be justified on the basis of any of the following circumstances:*
 - (a) The lack of adequate advance planning for the procurement of required supplies, services, or construction;*
 - (b) Delays in procurement caused by administrative delays, lack of sufficient procurement personnel, or improper handling of procurement requests or competitive procedures; or*
 - (c) Pending expiration of budget authority”.*
2. Per Title **27 DCMR, 1710.5**, *“The emergency procurement of services shall be limited to a period of not more than ninety (90) days”.*
3. Per Title **27 DCMR, 1711.1**, *“When an emergency procurement is proposed, the contracting officer shall prepare a written determination and findings (D&F) that sets forth the justification for the emergency procurement”.*

Sole Source Procurements

According to Title 27 DCMR 1002.4, *“each delegation of contracting authority by an agency head to an official under his or her administrative control shall be in writing and shall include clear instructions on the limitations of the contracting authority being delegated”.*

Tax Compliance

Per Title **27 DCMR, 2212.1** *“unless there is a compelling reason to do otherwise, agencies shall not solicit offers from, award contracts to, or consent to subcontract with a debarred or suspended contractor”.*

Per Title **27 DCMR, 2200.4 (f)** *“a prospective contractor shall meet compliance with the applicable District licensing and tax laws and regulations”.*

According to the District of Columbia's Office of Contracting and Procurement Purchase Card *Program Policies and Procedures No.2009-01*, the following shall apply:

Official Government Use: An individual who is issued a purchase card under the DC Purchase Card Program shall use the purchase card to buy commercially available goods and services, for official government business only, with a value that does not exceed \$2,500 per single transaction and a total amount of \$2,500 per card per day and \$10,000 per card account per monthly cycle unless otherwise specified by the CPO in the delegation of contracting authority. Only purchases of goods, supplies, and

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services that are directly related to the programmatic function of the cardholder's agency programs shall be made.

Data Verification: By the 27th of each month, the Approving Official (AO) shall obtain original receipts from cardholders under their jurisdiction and ensure that the cardholders have reviewed all transactions in PaymentNet. The AO shall review each transaction to verify that the goods or services were received, that the nature of the purchase was within programmatic guidelines, and that the receipts match the amount listed in PaymentNet. The Approving Official will note any discrepancies in PaymentNet and will mark each transaction as Approved.

Reconciliation Time Frame: By the 3rd of the month, the AO shall mark each transaction as Approved in PaymentNet. The AO shall provide original receipts to the APC.

Electronic Usage. A cardholder may make purchases using electronic method. Payments using PayPal or other payment intermediaries are prohibited.

According to the District of Columbia's Office of Contracting and Procurement *Purchase Card Program Policies and Procedures No.2009.02*, effective September 2, 2014, the following shall apply:

Official Government Use: An individual who is issued a PCard under the PCard Program shall use the PCard to buy commercially available goods and services, for **Official Government Business Only**. Each purchase may not exceed \$5,000 per transaction for goods; \$2,500 for services; and \$2,000 for construction, alteration or repair of public works. A cardholder may not exceed a total amount of \$20,000 per card account monthly cycle, unless otherwise specified by the CPO in a temporary Delegation of Contracting Authority. Only purchases of goods, supplies, and services that are directly related to the programmatic function of the cardholder's agency programs shall be made.

Data Verification: By the 25th of the month, the cardholder shall log into PaymentNet and verify that each transaction charge is correct and matches the details of the original receipt. If Level 3 item detail is not provided, the cardholder shall also select the appropriate account object code and comptroller source code for each transaction. The cardholder shall upload receipts for each transaction in the PDF format in the PaymentNet system. The cardholder shall enter relevant information in the notes section of the Transaction Detail Screen and if applicable, the cardholder shall explain any missing receipts in the Notes section. The CH shall verify that any refunds or cancellations are reflected. The cardholder shall mark each item as Reviewed and select the name of his/her AO or Alternate AO.

Reconciliation Time Frame: By the 30th of each month, the AO shall mark each transaction listed as Approved or Disapproved if applicable in PaymentNet.

Electronic Usage: A cardholder may make purchases using electronic methods. Payments using PayPal or other payment intermediaries are allowed but discouraged.

The Quick Payment Act of 1984, codified in Chapter 17 of District of Columbia Municipal Regulations, requires District agencies to make payments to vendors timely upon receipt of invoices for goods and services. Section 1702 of the act states:

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Agencies shall make payments as close as possible to, but not later than, the required payment dates specified in Section 1707.

Section 1707.2 of the Act states:

If a contract does not specify a payment date, the required payment date shall be one of the following:

- 1) Meat and meat food products – the seventh (7th) day after the date of delivery of the meat or meat product;
- 2) Perishable agricultural commodities – the tenth (10th) day after the date of delivery of the perishable agricultural commodity; or
- 3) All other goods and services – the thirtieth (30th) day after the receipt of a proper invoice by the designated payment officer.

Furthermore, section 1717.2 of the Act addresses various requirements for payment of interest and penalties and includes provisions regarding required reports as follows:

- 1) Each District agency shall file with the Mayor and the Chief Financial Officer a detailed report on any interest penalty payments made pursuant to this subchapter during the preceding fiscal year.
- 2) The report shall include the numbers, amounts, and frequency of interest penalty payments, and the reason the payments were not avoided by prompt payment, and shall be delivered to the Mayor and the Chief Financial Officer within 60 days after conclusion of the fiscal year.
- 3) The Chief Financial Officer shall submit to the Mayor and the Council within 120 days after the conclusion of each fiscal year a report on District agency compliance with the requirements.

Cause/Effect:

OCP and Agencies with independent procurement authority did not consistently adhere to established policies and procedures and remediation efforts to ensure compliance with District laws and regulations due to lack of oversight and monitoring after remediation efforts were put into place.

Approving Officials and cardholders are not adhering to the established purchase card program policies and procedures. In addition, OCP was unaware that they should be performing some sort of monitoring over JPMorgan Chase, such as implementing complementary end-user controls to ensure completeness and accuracy of bank statements.

DCPS did not have sufficient procedures in place to ensure payments were made in a timely manner. Specifically, we noted that receiving reports for five of the disbursements were not approved timely in the Purchasing Automated Support System (PASS) by the related school or program office, which caused the

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payment to be delayed. In addition, the invoices for three of the disbursements were not timely approved for payment in PASS by the Accounts Payable department.

Without adequate controls in place to ensure OCP and Agencies with independent procurement authority are adhering to the procurement rules established by District law, the District could be non-compliant with procurement laws and regulations of the District of Columbia.

Without proper and timely review and reconciliation of P-card transactions, the District may not detect and prevent fraudulent charges and abuse of purchases. Failure to identify and address risks related to information produced and provided by a service organization could result in failure to identify erroneous, inaccurate or incomplete P-card transaction information.

Recommendations:

We recommend that OCP and Agencies with independent procurement authority ensure adherence to internal controls over procurements to ensure compliance with District of Columbia procurement laws and regulations, and to ensure all contract documentation that can serve as an audit trail is properly retained by establishing increased training and oversight and monitoring.

In addition, we recommend that OCP strengthen internal controls surrounding the review and approval of P-card transactions and reconciliations to ensure adherence to the District's policies and procedures. We also recommend that OCP implement complementary end-user controls to monitor the operating effectiveness of internal controls at its service organizations.

We recommend that DCPS implement procedures to monitor receiving reports and invoices processed in PASS to ensure they are approved in a timely manner. In the event that an invoice is not paid within 30 days due to vendor errors, evidence supporting the fact that payment was withheld until issues with the goods or services received or amounts invoiced were resolved should be appropriately documented.

Management Response:

Management concurs with the facts of the findings as reported by the independent auditors. The District's Office of Contracting and Procurement as well as the affected agencies with independent contracting authority will work collaboratively to analyze the reported findings and develop and implement the needed corrective actions. To the extent that remediation is in progress for certain deficiencies, we will continue our efforts until the issues are fully resolved. In addition, DCPS will take the necessary actions to improve compliance with the Quick Payment Act.

Finding 2014-03 – Weaknesses in the District's Internal Controls over Medicaid, TANF and SNAP Programs

Background:

For the District of Columbia, Medicaid is administered by the Department of Health Care Finance (DHCF). The U.S. Department of Health and Human Services (HHS), Centers for Medicare and Medicaid Services (CMS) represents the Federal side of the program. Medicaid operates as a vendor payment

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program in which states reimburse individual and institutional providers of medical services. Medicaid eligibility is based on categorical (e.g., elderly, blind, and disabled) and financial (e.g. income/resources) considerations. Applicants are required to submit applications through the DC Health-Link (Modified Adjusted Gross Income (MAGI)-eligible only) or at one of five Economic Security Administration (ESA) Centers which are located throughout the District (non-MAGI eligible). Provider eligibility is determined via an application and review process conducted by various agencies according to the provider category (i.e. hospitals, pharmacies, Intermediate Care Facilities, etc.) All providers must complete an enrollment application and submit it along with the provider-specific required documentation in order to begin the enrollment process.

Additionally, the application form for both the Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP) is a combined application with Medicaid as noted above.

During our FY 2014 audit, we continued to note deficiencies in the District's internal controls over the administration and financial reporting of the Medicaid, TANF, and the SNAP programs that we believe rise to the level of being a significant deficiency when considered in the aggregate and when you consider that most of these findings are repeat findings that we have previously reported to management and, with minor exceptions, no significant corrective action has been taken to remediate these control deficiencies.

Conditions:

Specifically we noted the following:

Beneficiary and Provider Eligibility

During testing over beneficiary eligibility for Medicaid benefits, we noted that ESA was unable to provide sufficient documentation to support certain beneficiaries' eligibility determinations during the FY 2014 audit. Specifically, in our sample of 65 beneficiary disbursements tested, we noted the following exceptions:

- Seven (7) instances in which ESA was unable to provide the beneficiary application and/or recertification package.
- One (1) instance in which ESA was unable to provide proof of citizenship.
- Two (2) instances in which ESA was unable to provide proof of residency within the District of Columbia.
- Three (3) instances in which ESA was unable to provide the "Requests to Add Newborn" reports for birth of the beneficiaries who are under the parent's Medicaid case numbers.

During our testing over Medicaid provider eligibility, we noted that the Department of Health Care Finance (DHCF) was unable to provide sufficient documentation to support the providers' eligibility determination during the FY 2014 audit. Specifically, of a sample of 65 Medicaid providers, we noted the following exceptions:

- Three (3) instances in which DHCF was unable to provide the Medicaid provider files.
- Fifty-one (51) instances in which DHCF was unable to provide evidence of valid provider liability insurance for the period under audit (e.g. insurance was expired or absent).

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- Eleven (11) instances in which DHCF was unable to provide evidence of valid practitioner licensure information for the period under audit (e.g. licensure was expired or absent).

During testing over beneficiary eligibility for the TANF program, we noted that ESA was unable to provide sufficient documentation to support certain beneficiaries' eligibility determination during the FY 2014 audit. Specifically, of a sample of 65 beneficiary disbursements tested, we noted the following exceptions:

- Eleven (11) instances in which ESA was unable to provide birth certificates.
- Seventeen (17) instances in which ESA was unable to provide letters establishing residence.
- One (1) instance in which the benefits for the individual were appropriately terminated based on review of the case; however, the appropriate changes were not updated in ACEDS.
- Sixteen (16) instances in which ESA was unable to provide evidence that the Interface/IEVS check was performed.
- Three (3) instances in which the customer had received TANF benefits from Federal sourcing for more than 60 months in the amount of \$899.43. The Federal funding limit is 60 months.

During testing over beneficiary eligibility for the SNAP program, we noted that ESA was unable to provide sufficient documentation to support certain beneficiaries' eligibility determination during the FY 2014 audit. Specifically, of a sample of 65 beneficiary disbursements tested, we noted the following exceptions:

- Twenty four (24) instances in which ESA was unable to provide the dated and signed application or most recent recertification.
- Seven (7) instances in which ESA was unable to provide proof of residence within the District.
- Five (5) instances in which the beneficiaries were approved for benefits by a Social Service Representative (SSR) who did not appear on the list of SSRs with "authority to act".

Social Security Representatives with Authority to Act

Personnel at ESA are responsible for determining beneficiary eligibility for the Medicaid, TANF, and SNAP programs. In order to determine eligibility, the ESA Social Service Representatives (SSRs) record information from potential beneficiaries into the Automated Client Eligibility Determination System (ACEDS). Once a beneficiary is determined to be eligible, the SSRs are responsible for recording any further case actions - e.g. updates of personal information, termination of benefits, and renewal of benefits. Case actions including initial determination of eligibility can be recorded in ACEDS by all SSRs; however, only SSRs with "authority to act" can record actions without supervisory review and approval. As a result, controls over the entry and processing of beneficiary cases in ACEDS are not properly designed and implemented to ensure segregation of duties. Specifically, SSRs with authority to act have the ability to both record and authorize beneficiary case actions in ACEDS.

Control Operations and System Interfaces

Controls over management's review of exception reports resulting from the interface reports from the Automated Client Eligibility Determination System (ACEDS) and the Electronic Benefits Transfer (EBT) systems and from the interface of the Automated Client Eligibility Determination System (ACEDS) and

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the Medicaid Management Information System (MMIS) are not sufficiently documented, designed, and implemented. Specifically, we noted the following:

- Two (2) instances out of a sample of 25 days in which DHS was unable to provide evidence of review of the daily ACEDS to EBT interface exception report; and
- One (1) instance in which the District was unable to provide evidence to support the investigation and resolution of identified errors in the ACEDS to MMIS interface exception report.

Additionally, controls over management's review of the Medicaid Management Information System MMIS SSAE 16 report are not sufficiently designed, documented, and implemented effectively. Additionally, we noted that the controls in place to address end user control considerations were not operating effectively. Specifically, we noted:

- Management's review of the SSAE 16 report was not sufficiently documented to present considerations made by the Department of Health Care Finance (DHCF) and the potential impact of the report conclusion (i.e., qualified opinion) on DHCF's operations and financial reporting.
- Additionally, as part of the review process, management did not perform a timely analysis over the complementary user entity control considerations noted in the report. We noted the analysis was performed only as a result of audit inquiries.
- As part of our testing of the complementary user entity controls over system access we noted that controls in place to address system access risks were not adequate. Specifically, DHCF does not perform a sufficient review of a complete list of MMIS users (active and inactive) to ensure access to MMIS is restricted to authorized users and the authorized users' access levels remain appropriate over time.
- Further, we noted Xerox/MMIS uses the subservice organization Xerox Information Technology Services and Shared Services. Upon requests by the auditors, DHCF was unable to provide a current SSAE 16 report for the subservice organization to cover the full audit period.

Medicaid Accrual

Controls over management's review of the Medicaid accrual are not designed and implemented effectively to ensure accrual estimates are made based on properly supported data elements in which documentation is readily available. Additionally, the review is not performed at a sufficient level of precision as described by the Department of Health Care Finance (DHCF). During our walkthrough of the control, DHCF stated that there is no dollar threshold or materiality considerations applied when reviewing the Medicaid grant accrual and, as such, all amounts are subject to review. However, during our audit of the FY 2014 accrual we noted the following:

- DHCF estimated Health Insure Provider Fees (HIPF) based on a projected total recoupment cap of \$11.5 billion. This amount was based on discussion with the DHCF's actuary; however, we noted that subsequent to audit inquiry, DHCF provided documentation supporting a cap of \$11.3 billion. DHCF was also unable to provide support for the HIPF tax rate of 2.5% used to calculate the HIPF tax portion of the accrual. KPMG performed an independent analysis of the HIPF tax accrual amount based on

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determining rates per data presented on the IRS website related to this tax. As a result, we determined that the applicable rate that should have been used in the estimate is 1.5%. The consolidated result of these two conditions results in a potential overstatement of the Medicaid accrual of approximately \$7.8 million (\$2.1 million local and \$5.7 million federal).

- DHCF did not consider the potential impact of Medicaid-ineligible individuals that were deemed eligible and who may be erroneously receiving Medicaid benefits due to system defects in the newly implemented HealthLink system. Based on our audit requests, DHCF subsequently prepared an estimate for the amount of potentially disallowed costs associated with the HealthLink system defects in the amount of \$372 thousand. KPMG performed an independent estimate noting the potential impact to be \$1 million.
- DHCF used estimated amounts over actual cost data to estimate certain revenues and expenditures associated with consulting services for 2013 and 2014. A comparison of the estimated amount to the actual amount resulted in an under accrual for 2013 local costs in the amount of \$185 thousand and an over accrual for 2014 local costs in the amount of \$38 thousand.
- We noted in the Non-Cost Reporting Providers (Managed Care) accrual support that DHCF erroneously excluded two months (April 2013 and December 2013) from the detail of the FY 2011 and FY 2012 rate calculations, respectively. The impact of the excluded months on the total accrual amount was only \$2 thousand, which is clearly inconsequential. However, excluded months are indicative that the management review process is not performed to the level of precision described.

Additionally, we noted that the accrual “Look-back Analysis “ process implemented by DHCF several years ago in response to a prior finding could be improved as DHCF did not consider all prior year outflows in the current fiscal year. Specifically, per review of the Affordable Care Act (ACA), the HIPF tax should have been accrued in FY 2013 resulting in total HIPF taxes of \$7.9 million. The local portion of this is \$2.2 million and the federal portion is \$5.7 million.

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control—Integrated Framework* states:

- *Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities*
- *Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning. Ongoing evaluations, built into business processes at different levels of the entity, provide timely information. Separate evaluations, conducted*

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periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations. Findings are evaluated against criteria established by regulators, standard-setting bodies, or management and the board of directors, and deficiencies are communicated to management and the board of directors as appropriate. Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning.

Medicaid State Plan: Citation 42 CFR 431.17AT-79-29, Section: 4.7 Maintenance of Records The Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of medical assistance, and administrative costs and statistical, fiscal and other records necessary for reporting and accountability, and retains these records in accordance with Federal requirements. All requirements of 42 CFR 431.17 are met.

ESA Policy Manual Section: STANDARDS FOR CASE RECORD DOCUMENTATION 1.3 All eligibility criteria and clarifying information are documented on the Record of Case Action, Form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case by reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipients, the record should include the dates pay is received and how often the recipient is paid. When the recipient's statement is the best available source, the record should include both the applicant/recipient's and the agency's efforts to verify the information. All address changes should be documented.

Title XIX requires that the District of Columbia enter into written agreements with persons or institutions providing services under the State's plan for Medical Assistance. It also requires that the providers, when applicable, must (1) be licensed in the jurisdiction where located and/or the District of Columbia; (2) be currently in compliance with standards for licensure; (3) services be administered by a licensed or certified practitioner; and (4) comply with applicable federal and District standards for participation in the Title XIX of the Social Security Act.

42 CFR 455 states:

“455.412 Verification of provider licenses...

The State Medicaid agency must—... (b) Confirm that the provider's license has not expired and that there are no current limitations on the provider's license....

§455.414 Revalidation of enrollment.

The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years....

§455.416 Termination or denial of enrollment.

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The State Medicaid agency—

(a) Must terminate the enrollment of any provider where any person with a 5 percent or greater direct or indirect ownership interest in the provider did not submit timely and accurate information and cooperate with any screening methods required under this subpart.”

45 CFR 92.42: Department of Health and Human Services Retention and Access Requirements for Records. Length of retention period. (1) Except as otherwise provided, records must be retained for three years from [...] the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period.

Medicaid Management Information System (MMIS) SSAE 16 report, states that “the services provided by Xerox for the processing and maintenance of the MMIS and the related data were designed with the expectation that certain controls would be implemented by the user organization. The application of such controls by the user organization is necessary to achieve certain control objectives identified in this report. User auditors should consider whether controls have been placed in operation at user organization to address the following:

- Access to the user organization’s network and client computers is restricted to authorized users.
- Claims submissions are properly authorized by providers.
- Data transmissions to Xerox are monitored for security, accuracy and completeness.
- System output and reports are adequately controlled and safeguarded.”

Cause/Effect:

The review of provider eligibility determinations is not sufficient to ensure that the District is adhering to their internal controls regarding provider eligibility determinations and proper file maintenance. Additionally, this lack of review and oversight caused the District to not adhere to its documentation retention policies and procedures for maintaining case record documentation. As such, without proper review of files and failure to maintain sufficient documentation to support eligibility determinations, ineligible Medicaid providers could receive payments for Medicaid services provided. In addition, failure to maintain sufficient documentation to support the eligibility determination for providers could result in disallowances. Lastly, failure to review and maintain proper documentation, the District could be paying benefits to participants who are ineligible.

Related to entering and approving grant applications entered into ACEDS for eligibility determination, the District’s ESA has not implemented adequate segregation of duties due to a lack of sufficient staff/resources. As a result, beneficiary cases recorded and authorized by an SSR with the authority to act could be erroneous and/or inappropriate.

Policies and procedures over the review of the ACEDS to EBT interface are not sufficiently documented to adequately address document retention relating to the review of the ACEDS to EBT interface. As such, failure to review the daily response files from the interface increases the risk of errors in benefits processing. However, ACEDS is being replaced with a new system and remediation efforts have been spent on ensuring that that system has proper review and interface parameters in place.

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Further, DHS policies are not sufficient to explain and identify specific criteria for which exceptions, noted in the ACEDS to MMIS interface, require investigation and resolution. Thus, failure to review and resolve exceptions from ACEDS to MMIS interface could result in errors in Medicaid benefits processing.

DHCF does not have adequate policies and procedures in place to ensure the timely analysis and documented consideration of the complementary user entity controls per the MMIS SSAE 16 report. Additionally, DHCF lacks processes to ensure controls are designed and implemented effectively to address the risks identified in the SSAE 16 report. Failure to implement controls increases the risk of unapproved access to MMIS and processing of inaccurate benefit information by the service provider.

Although there has been improvement over DHCF's policies and procedures related to the review and approval of the Medicaid grant accrual, we noted that they are still not properly documented and reinforced to ensure an appropriate level of precision is applied, estimates are made based on supported data elements, and documentation is readily available. The conditions associated with HIPF tax results in an overstatement in FY 2014 GAAP Fund 400 Human Support Services expenditures and Operating Grants revenues of approximately \$11.4 million; and an overstatement in GAAP Fund 400 Accrued Liabilities and Due from Federal Government of approximately \$5.7 million.

Recommendations:

We recommend that the District consistently adhere to policies and procedures for maintaining case record documentation and improve its controls over monitoring compliance. We observed that the District is in the process of implementing a new automated eligibility system, District of Columbia Access System (DCAS), which will help address the condition over time. Additionally, we recommend that the District develop policies and procedures to properly evaluate and review the eligibility of providers consistent with 42 CFR 455 by collecting and retaining proper documentation listed above to consistently support Medicaid provider eligibility determinations.

We also recommend that ESA strengthen its current policies and procedures to require the SSR duties of recording and authorizing beneficiary case actions in ACEDS to be segregated.

Additionally, we recommend that DHS formalize and implement policies and procedures to address document retention in support of the review of system interface exception reports and that DHS revise existing policies to formalize the portions related to specific review criteria and documentation requirements for the review. Furthermore, we recommend that DHCF create and implement formal policies and procedures to document its analysis of the MMIS SSAE 16 report and ensure the complementary user entity controls are properly designed and implemented.

Lastly, we recommend that DHCF develop and implement formal policies and procedures to ensure proper review and approval of the Medicaid grant accrual entry is performed. The policies and procedures should include metrics, thresholds, or other criteria that are to be consistently followed in the operation of the review and the definition of outliers and exceptions.

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Management Response:

Beneficiary and Provider Eligibility

Medicaid

Management concurs with the auditors' findings. Effective March 31, 2015, the Department of Human Services (DHS) will: (1) put monitoring controls in place to ensure that cases in ACEDS and DCAS have a case record in DIMS, and (2) will monitor and enforce staff compliance with document management and retention policies and procedures.

TANF

Management concurs with the auditors' findings related to 19 cases in the TANF sample. The auditors reviewed cases in DIMS; however, they found that DIMS did not present the requisite supporting documentation.

Management disagrees with the findings related to the "60 month" cases, in which the auditor cited certain cases as "Received TANF benefits from federal sources for more than 60 months." In accordance with Federal and District law, the District is allowed to fund 20% of its TANF cases exceeding 60 months.

Management concurs with the finding with respect to the sampled cases for which the auditor noted "No Interface/IEVS information found, or there is no evidence that the IEVS check was done." The auditors reviewed the cases in DIMS; however, they found that DIMS did not present the requisite supporting documentation.

SNAP

Management concurs with the auditors' findings. Regarding the five instances in which beneficiaries were approved for benefits by a Social Service Representative (SSR) who did not appear on the list of SSRs with "authority to act," the number which the auditor cited for one of the five SSRs (HSRCR40) was invalid and does not exist in the District's ACEDS system. As for the other four SSRs, it is correctly stated that they did not appear on the list of SSRs with "authority to act." However, there were no staff members who exercised the "authority to act" who did not, in fact, have the "authority to act". Consequently, it is less likely than reported by the auditors that the District is possibly paying benefits to participants who are ineligible.

Social Security Representatives with Authority to Act

Management does not agree with the finding as presented by the independent auditors. The Department of Human Services' (DHS's) existing supervisory case review policy and procedures help ensure that management's directives are carried out and necessary actions are taken to address the risks that may hinder the achievement of the agency's objectives.

A requirement of the SSR position includes the expectation that the SSR will exercise sound professional judgment and determine eligibility as necessary in the performance of his/her duties. The "authority to

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act” designation is formally bestowed based on an employee’s performance and grade level. Consequently, an SSR acquires the “Authority to Act” upon demonstrating ability to consistently and correctly determine eligibility and process customer benefits. An SSR’s ability to continue to exercise proper judgment in determining eligibility and processing benefits is constantly monitored and reflected in the annual Performance Evaluations. If an SSR displays diminished competency in their ability to “Act,” that responsibility is summarily taken away.

Moreover, it is acceptable in general business and accounting practices when duties cannot be adequately separated, that "**compensating controls**" be put in place. Compensating controls are internal controls that are intended to reduce the risk of an existing or potential control weakness. DHS affirms that its supervisory case review policy and procedures are the agency's compensating controls. DHS's existing supervisory case review policy and procedures, which involves three levels of review by supervisors and managers, were established in October 2010 and have been consistently and sufficiently revised to facilitate the assurance of program accuracy and adherence to eligibility determination policies and procedures by SSRs, including those that have "Authority to Act".

In recent years, the public services industry has been changing to streamline processes and reduce costs. With such changes, as long as adequate monitoring and quality assurance controls are in place, states have been encouraged by the federal and local funding partners to find ways to streamline processes. Given the local and federal policies and regulations relative to timeliness in processing actions for customer benefits, increasing caseloads and the limited number of supervisory SSRs to authorize actions, acting upon the auditor’s recommendation that "ESA strengthen its current policies and procedures to require the SSR duties of recording and authorizing to be separated is not feasible and would negatively impact timely actions, at this time.

Control Operations and System Interfaces

Management concurs with the reported findings in this area.

DHS’s Division of Information Systems (DIS) has established a Control Report Log and process for sequentially tracking and reconciling the EBT Response Files which are reviewed and acted upon by DIS Management.

In addition, the Department of Human Services (DHS) will collaborate with the Department of Health Care (DHCF), which initiates the MMIS Exception Reports, to narrow down those elements of the report that specifically pertain to DHS and to develop guidance for responding to those elements requiring DHS action.

The exception report which the auditor cited (dated February 3, 2014) was thoroughly reviewed by DHS’s Division of Information Systems staff and the appropriate address changes, code changes and case terminations (due to a customer's death) were verified and/or completed. There were no cases on the exception report that were not reviewed or acted upon. Consequently the situation in question would not result in an error in Medicaid benefit processing.

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Medicaid Accrual

The Department of Health Care Finance Office of the Chief Financial Officer (DHCF-OCFO) concurs, *in part*, with this finding. DHCF-OCFO has a process for calculating and reviewing the Medicaid accrual that includes planning meetings with the analysts who pull the data and do the analysis, as well as multiple levels of review with the Reimbursement Supervisor, the Agency Fiscal Officer, and ultimately the Associate CFO for Human Support Services. Nonetheless, the DHCF-OCFO will formalize that process into a set of policies and procedures for calculating the Medicaid accrual as recommended. These policies and procedures will include the data sources to be used, the calculations to be performed, timeframes for completing the steps in the analysis, the logical tests that any accrual calculation must pass, and the levels of review required. Explicit descriptions of the required calculations and levels of review should prevent the recurrence of reported issues.

In addition, the DHCF-OCFO will add the sections outlined below to the Medicaid accrual policies and procedures.

- A section addressing how to calculate the accrual for the Health Insurance Provider Fee that incorporates the data sources and process KPMG used in its independent analysis.
- A section addressing when and how to calculate accruals for potential disallowances of federal Medicaid funding that includes both potential administrative disallowances and federal audit findings.
- A section addressing the preparation of the Look-Back Analysis for the prior year Medicaid accrual including timeframes and specific considerations for the analysis. This will allow DHCF-OCFO to make better use of the Look-Back Analysis.

KPMG's Response:

We have reviewed management's response and our findings and recommendations remain as stated.

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Business-Type Activities and Major Proprietary Funds

The following findings and recommendations relate to control deficiencies noted as a result of our FY 2014 audit of the District's Business-Type Activities and Major Proprietary Funds that we consider to be significant deficiencies:

Finding 2014-04 – Weaknesses in Internal Controls over Instant Scratch Tickets

Conditions:

The controls over the inventorying and monitoring of the Instant Scratch Tickets were inadequate and would not, therefore, prevent errors in the recording and reporting of ticket sales. More specifically, the process in place to monitor tickets ordered, mailed to and activated by retailers, as well as those tickets that were obtained by the retailers from the Lottery's cash and carry locations would not minimize or otherwise eliminate the risk of impropriety. It was also noted that retailers had the ability to activate only those ticket packs that contained winning tickets, thus manipulating the amounts owed to the Lottery for tickets received.

We noted that Lottery management identified the internal control weaknesses in the Instant Scratch Ticket inventorying and monitoring processes and we understand that the Lottery has developed and implemented new, more restrictive policies and procedures to improve practices associated with the safeguarding and monitoring of tickets and the recording of ticket sales. However, because the Lottery implemented such changes subsequent to the end of the fiscal year, we did not test the design and operating effectiveness of these new controls that were not implemented until fiscal year 2015.

Criteria:

Best practices require the existence of internal controls to ensure that the inventory of instant scratch tickets is properly accounted for and that revenue is recognized when measurable in a timely manner. A robust internal control environment will reduce if not prevent the opportunities for fraud; this should therefore be the aim of the agency.

COSO *Internal Control—Integrated Framework* as previously described under "Criteria" at finding 2014-03.

Cause/Effect:

The Lottery did not have adequate policies, procedures and internal controls to safeguard the integrity of the Instant Scratch Tickets program. Additionally, Lottery's personnel were not adequately trained in warehousing, distribution and monitoring of the Lottery's Instant Scratch Tickets.

Without proper internal controls, there is an increased risk that errors and irregularities in the reporting of ticket sales as well as in the administration of the Instant Scratch Ticket program could occur and go undetected. Additionally, Instant Scratch Ticket revenues may be understated.

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Recommendations:

We recommend that the Lottery test the design and operating effectiveness of the newly established policies, procedures and internal controls as soon as possible to ensure they adequately address the control deficiencies noted in the Instant Scratch Ticket program. We also recommend that the Lottery provide additional training to staff and retailers responsible for administration of the Instant Scratch Ticket program.

Management Response:

The D.C. Lottery concurs with the finding.

The DCLB, through its own internal review process, identified the control deficiencies described herein, and implemented the necessary policy, procedure and process changes to remediate the deficiencies described. With the assistance of the Chief Risk Officer, the DCLB developed and implemented the following key measures:

- **Dedicated employees to oversee retailer inventory ordering and monitor the regulated receipt time frame of distributed inventory.** *This measure eliminates the ability of a retailer to order inventory at will and prevents the stock piling of that inventory. It also eliminates inventory sitting in an “in transit” status beyond a 24 hour time frame.*
- **Instituted new regulations that require retailer acceptance of distributed inventory within 24 hours of receipt and the activation of that inventory within 30 days of issuance.** *These new regulations allow DCLB to change the inventory “status” in our inventory management system should the retailer fail to adhere to the regulated time frames. The measures also allow DCLB to take administrative action on the retailers for failure to adhere.*
- **Implemented an 80/45 billing rule.** *The new rule allows DCLB to invoice retailers once 80% of low tier prizes are awarded or 45 days after activation (whichever occurs first). This measure allows DCLB to invoice and collect payment for distributed inventory more quickly, increasing cash flow to support operations and the general fund.*
- **Moved the warehouse/ inventory management responsibility from the Sales Department to the Agency Fiscal Office.** *This measure allows technical and financial oversight of inventory by individuals who have the finance and accounting background and expertise to evaluate and analyze processes which have financial impact, and translate that activity into financial transactions.*

The D.C. Lottery believes the steps taken have remediated the finding and will prevent recurrence in the future. In keeping with the auditors’ recommendation, we will continue to test the effectiveness of the newly implemented controls and ensure that staff and retailers responsible for administration of the Instant Scratch Ticket program are adequately trained on the new policies and procedures.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Responses

Finding 2014-05 Weaknesses in Internal Controls over the Unemployment Compensation Fund Claimants Payable Accrual Estimate

Conditions:

The District of Columbia Department of Employment Services (DOES) records an estimate to accrue for benefit payments for claimants that have applied for unemployment insurance as of September 30, 2014 and have been determined eligible to receive benefits during the period from October 1, 2015 through October 20, 2015. As part of the process, management relies on a system generated report (ETA 5159 Claims and Payment Activities) that details the ‘number of first time payees’ approved to receive benefits during this period which is a key assumption used in the estimated accrual. During our testing over the claimants payable accrual as of September 30, 2014 in the Unemployment Compensation Fund, we noted an incorrect ‘number of first time payees’ receiving state unemployment insurance was used in the calculation of the estimated accrual and that the calculation excluded the ‘number of first time payees’ receiving Federal benefits.

Criteria:

COSO *Internal Control—Integrated Framework* as previously described under “Criteria” at finding 2014-03.

Cause/Effect:

DOES does not have adequate controls in place to ensure the underlying data used in the estimate is complete and accurate prior to recording the liability. Additionally, we noted that management’s review of the estimate, including the inputs used in the estimate, is not designed at a precise enough level to identify all significant errors in the accrual estimate.

Without proper controls in place to ensure the underlying data used in the estimate is complete and accurate, a misstatement could exist in the financial statements of the Unemployment Compensation Fund.

Recommendations:

We recommend that DOES management improve current controls in place to ensure that the underlying information used in the claimants payable accrual estimates are complete and accurate and that management implement a review process related to the claimants payable accrual to ensure that amounts are accurately recorded in the Unemployment Compensation Fund financial statements.

Management Response:

Management concurs with the findings and recommendations as reported by the auditors. However, it should be noted that there are adequate policies and procedures in place which have been and continue to be applied consistently when estimating accrued benefit liabilities for claimants.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Responses

With the objective of further strengthening internal controls, management will continue to update its existing policies and procedures to validate ad hoc data used for such specialized reports against standard federal reports, and to ensure its accuracy and completeness for purposes of accounting and financial reporting.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Responses

Aggregate Discretely Presented Component Units

The following findings and recommendations relate to control deficiencies noted in our FY 2014 audit of the financial statements of the District's aggregate discretely presented component units. We consider these control deficiencies to be a significant deficiency at the aggregate discretely presented component unit level when considered in the aggregate.

2014-06: Weaknesses in Internal Control over Financial Reporting related to the Aggregate Discretely Presented Component Units

Background:

The District of Columbia financial reporting entity consists of the primary government and its five discretely presented component units: Health Benefit Exchange Authority (HBEA); Housing Finance Agency; Not-for-Profit Hospital Corporation (d/b/a United Medical Center) (UMC); University of the District of Columbia (UDC), and the Washington Convention and Sports Authority.

Conditions:

During the FY 2014 audit of the financial statements of the District's aggregate discretely presented component units, we noted the following control deficiencies:

- Lack of segregation of duties within the procurement function (UDC and UMC). We noted that UMC implemented additional controls during the latter part of fiscal year 2014 to address this control deficiency;
- Untimely preparation and review of monthly bank reconciliations (UDC);
- Inadequate review of journal entries (UDC and UMC);
- Insufficient accounting policies and procedures to ensure all assessments receivable and deferred inflows are reflected in the financial statements at year end (HBEA);
- Untimely monitoring of compliance with the District's Investment and Spending Policy (UDC);
- Inadequate review and approval of expenditures to ensure costs are being properly classified between capitalized assets and program expenses as well as the proper classification within capital assets (UDC);
- Insufficient review of grant expenditures to ensure funds are not being expended in excess of the grant award or being reported in the wrong period (UDC); and
- Lack of formal written accounting policies and procedures for certain transactions which has led to changes in accounting methodologies and accounting positions that resulted in adjustments to the financial statements during the fiscal year (UDC).

Criteria:

COSO *Internal Control—Integrated Framework* as previously described under "Criteria" for finding 2014-03.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Responses

Cause/Effect:

Deficiencies in internal controls, inadequate policies and procedures, and lack of proper training and oversight resulted in the conditions noted. Without proper internal controls, adequate policies and procedures and proper training and oversight, there is an increased risk for errors in the District's aggregate discretely presented component unit financial statements as well as an increased risk of noncompliance with District laws and regulations.

Recommendations:

We recommend that the discretely presented component units strengthen their internal controls over financial reporting and compliance with laws and regulations. We also recommend that the District implement monitoring controls to ensure that component unit control deficiencies are remediated on a timely basis.

Management Response:

With the exception of the control deficiency associated with monitoring compliance with the District's Investment and Spending Policy, management concurs with the findings and recommendations and will assist the component units in developing a corrective action plan to remediate the noted control deficiencies. We will also implement appropriate monitoring controls to ensure these corrective actions are completed by the component units on a timely basis. Management disagrees with the noted control deficiency pertaining to monitoring compliance with the District's Investment and Spending Policy. We recognize that there are differences between the auditors' interpretation of this policy and those of management. We will take the observations and recommendations of the auditors under advisement and will take the necessary actions to either clarify the policy or revise current practices, as needed.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedules of
Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States,
Local Governments, and Non-Profit Organizations***

Year Ended September 30, 2014



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

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

Report on Compliance for Each Major Federal Program

We have audited the Government of the District of Columbia's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The District's basic financial statements include the operations of the District of Columbia Housing Finance Agency (HFA). Our audit, described below, did not include the operations of HFA because the component unit engages other auditors, if required, to have an audit performed in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the District's compliance.



Basis for Adverse Opinions on the Six Major Federal Programs Identified in Table I

As identified in Table I and as described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the following:

Table I - Material Noncompliance Resulting In Adverse Opinions				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-015
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Cash Management	2014-016
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Davis-Bacon Act	2014-017
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Procurement and Suspension and Debarment	2014-007
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting	2014-019 2014-020 2014-021
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2014-022
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-023

Table I - Material Noncompliance Resulting In Adverse Opinions

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management	2014-024
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Davis-Bacon Act	2014-025
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Eligibility	2014-026
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Procurement and Suspension and Debarment	2014-007
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2014-027
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Subrecipient Monitoring	2014-028
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Housing Quality Standards	2014-029
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Eligibility	2014-039
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Reporting	2014-040

Table I - Material Noncompliance Resulting In Adverse Opinions				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Institutional Eligibility	2014-039
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Verification	2014-041
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Eligibility	2014-056 2014-055
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Procurement and Suspension and Debarment	2014-007
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Child Support Non-Cooperation	2014-058
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Income Eligibility and Verification System	2014-056
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Penalty for Refusal to Work	2014-059
Health and Human Services	93.658	Foster Care - Title IV-E	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-061
Health and Human Services	93.658	Foster Care - Title IV-E	Eligibility	2014-063

Table I - Material Noncompliance Resulting In Adverse Opinions				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.659	Adoption Assistance - Title IV-E	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-064
Health and Human Services	93.659	Adoption Assistance - Title IV-E	Eligibility	2014-065

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Adverse Opinions on the Six Major Federal Programs Identified in Table I

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinions paragraph, the District did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Table I for the year ended September 30, 2014.

Basis for Qualified Opinions on the Four Major Programs Identified in Tables II and III

As identified in Table II and as described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the District with the following compliance requirements because the District was unable to provide sufficient supporting documentation:

Table II – Major Programs with Scope Limitations				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.027, 84.173	Special Education Cluster	Matching, Level of Effort, Earmarking	2014-045
Health and Human Services	93.767	Children’s Health Insurance Program	Eligibility	2014-066
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, Earmarking	2014-075

Table II – Major Programs with Scope Limitations				
Federal Awarding Agency	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.917	HIV Care Formula Grants	Matching, Level of Effort, Earmarking	2014-080

Consequently, we were unable to determine whether the District complied with the requirements for the programs identified in Table II above.

Additionally, as identified in Table III and as described in the accompanying schedule of findings and questioned costs, the District did not comply with the following requirements associated with programs with a scope limitation.

Table III - Material Noncompliance Noted In Programs With A Scope Limitation				
Federal Awarding Agency	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-073
Health and Human Services	93.917	HIV Care Formula Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-077
Health and Human Services	93.917	HIV Care Formula Grants	Procurement and Suspension and Debarment	2014-007

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinions on the Four Major Programs Identified in Tables II and III

In our opinion, except for the possible effects of the scope limitation and noncompliance described in the Basis for Qualified Opinions paragraphs above, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Tables II and III for the year ended September 30, 2014.



Basis for Qualified Opinions on the Ten Major Federal Programs Identified in Table IV

As identified in Table IV and as described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the following:

Table IV- Material Noncompliance Resulting In Qualified Opinions				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions – ADP System for SNAP	2014-009
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Eligibility	2014-011
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting	2014-011
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Special Tests and Provisions – Verification of Free and Reduced Price Applications	2014-013
Health and Human Services	14.241	Housing Opportunities for Persons with AIDS	Reporting	2014-030
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UC Program Integrity – Overpayments	2014-035
Education	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Eligibility	2014-046
Education	84.370	D.C. School Choice Incentive Program	Period of Availability	2014-047
Education	84.374	Teacher Incentive Fund Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-049

Table IV- Material Noncompliance Resulting In Qualified Opinions				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.374	Teacher Incentive Fund Program	Matching, Level of Effort, Earmarking	2014-050
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Procurement and Suspension and Debarment	2014-007
Health and Human Services	93.600	Head Start	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-060
Health and Human Services	93.775, 93.777, 93.778	Medicaid Cluster	Eligibility	2014-070
Health and Human Services	93.775, 93.777, 93.778	Medicaid Cluster	Special Tests and Provisions – Utilization Control and Program Integrity	2014-071

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinions on the Ten Major Federal Programs Identified in Table IV

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph above, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Table IV for the year ended September 30, 2014.

Unmodified Opinions on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are identified in the Tables V through VII and described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Table V - Other Instances of Noncompliance Noted in Programs with an Adverse Opinion				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Matching, Level of Effort, Earmarking	2014-018
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2014-042
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Disbursements to or on Behalf of Students	2014-043
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-053
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Reporting	2014-057
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Penalty to Comply with Work Verification Plan	2014-057

Table VI – Other Instances of Noncompliance Noted in Programs with a Scope Limitation				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.027, 84.173	Special Education Cluster	Procurement and Suspension and Debarment	2014-007

Table VI – Other Instances of Noncompliance Noted in Programs with a Scope Limitation				
Federal Awarding Agency	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Cash Management	2014-074
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2014-076
Health and Human Services	93.917	HIV Care Formula Grants	Cash Management	2014-078

Table VII- Other Instances of Noncompliance				
Federal Awarding Agency	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Subrecipient Monitoring	2014-012
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement and Suspension and Debarment	2014-007
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2014-014
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-032
Labor	17.225	Unemployment Insurance	Period of Availability	2014-033
Labor	17.225	Unemployment Insurance	Reporting	2014-034

Table VII- Other Instances of Noncompliance				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Transportation	20.205	Highway Planning and Construction	Procurement and Suspension and Debarment	2014-036
Education	84.370	D.C. School Choice Incentive Program	Procurement and Suspension and Debarment	2014-048
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-051
Health and Human Services	93.775, 93.777, 93.778	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2014-072

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or



combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance identified in Table VIII and described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

Table VIII- Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions – ADP System for SNAP	2014-009 2014-069
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Eligibility	2014-011
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting	2014-011
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Special Tests and Provisions – Verification of Free and Reduced Price Applications	2014-013
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-015
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Cash Management	2014-016
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Davis-Bacon Act	2014-017
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Procurement and Suspension and Debarment	2014-007
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting	2014-019 2014-020 2014-021

Table VIII- Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	CDEA Number (s)	Major Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2014-022
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-023
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management	2014-024
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Davis-Bacon Act	2014-025
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Eligibility	2014-026
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Procurement and Suspension and Debarment	2014-007
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2014-027
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Subrecipient Monitoring	2014-028
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Housing Quality Standards	2014-029
Health and Human Services	14.241	Housing Opportunities for Persons with AIDS	Reporting	2014-030
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UC Program Integrity – Overpayments	2014-035

Table VIII- Material Weaknesses in Internal Control over Compliance

Federal Awarding Agency	CDEA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-037
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Eligibility	2014-037 2014-039
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Period of Availability	2014-037
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Reporting	2014-037 2014-040
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Institutional Eligibility	2014-039
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Verification	2014-041
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Disbursements To or On Behalf of Students	2014-037
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2014-037
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds	2014-037
Education	84.027, 84.173	Special Education Cluster	Matching, Level of Effort, Earmarking	2014-045
Education	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Eligibility	2014-046

Table VIII- Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	CDEA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.370	D.C. School Choice Incentive Program	Period of Availability	2014-047
Education	84.374	Teacher Incentive Fund Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-049
Education	84.374	Teacher Incentive Fund Program	Matching, Level of Effort, Earmarking	2014-050
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Procurement and Suspension and Debarment	2014-007
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Eligibility	2014-055 2014-056 2014-069
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Procurement and Suspension and Debarment	2014-007
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Child Support Non-Cooperation	2014-058
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Income Eligibility and Verification System	2014-056
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Penalty for Refusal to Work	2014-059
Health and Human Services	93.600	Head Start	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-060

Table VIII- Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	CDEA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.658	Foster Care - Title IV-E	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-061
Health and Human Services	93.658	Foster Care - Title IV-E	Eligibility	2014-063
Health and Human Services	93.659	Adoption Assistance - Title IV-E	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-064
Health and Human Services	93.659	Adoption Assistance - Title IV-E	Eligibility	2014-065
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2014-066 2014-067 2014-068 2014-069
Health and Human Services	93.775, 93.777, 93.778	Medicaid Cluster	Eligibility	2014-067 2014-068 2014-069 2014-070
Health and Human Services	93.775, 93.777, 93.778	Medicaid Cluster	Special Tests and Provisions – Utilization Control and Program Integrity	2014-071
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-073
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, Earmarking	2014-075
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2014-076

Table VIII- Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	CDEA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.917	HIV Care Formula Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-077
Health and Human Services	93.917	HIV Care Formula Grants	Eligibility	2014-079
Health and Human Services	93.917	HIV Care Formula Grants	Matching, Level of Effort, Earmarking	2014-080
Health and Human Services	93.917	HIV Care Formula Grants	Procurement and Suspension and Debarment	2014-007

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance identified in Table IX and described in the accompanying schedule of findings and questioned costs, to be significant deficiencies

Table IX – Significant Deficiencies in Internal Control over Compliance				
Federal Awarding Agency	CDEA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-052 2014-054
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Reporting	2014-008
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions – EBT Reconciliation	2014-010
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Subrecipient Monitoring	2014-012

Table IX – Significant Deficiencies in Internal Control over Compliance				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement and Suspension and Debarment	2014-007
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2014-014
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Matching, Level of Effort, Earmarking	2014-018
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Subrecipient Monitoring	2014-031
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-032
Labor	17.225	Unemployment Insurance	Reporting	2014-034
Labor	17.225	Unemployment Insurance	Period of Availability	2014-033
Transportation	20.205	Highway Planning and Construction	Procurement and Suspension and Debarment	2014-036
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Cash Management	2014-038
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2014-042

Table IX – Significant Deficiencies in Internal Control over Compliance

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions – Disbursements to or on Behalf of Students	2014-043
Education	84.010	Title I – Grants to Local Educational Agencies	Special Tests and Provisions – Comparability	2014-044
Education	84.027	Special Education Cluster	Procurement and Suspension and Debarment	2014-007
Education	84.370	D.C. School Choice Incentive Program	Procurement and Suspension and Debarment	2014-048
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-051
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-052 2014-053 2014-054
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Reporting	2014-057
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Penalty to Comply with Work Verification Plan	2014-057
Health and Human Services	93.658	Foster Care - Title IV-E	Cash Management	2014-062
Health and Human Services	93.775, 93.777, 93.778	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2014-072
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Cash Management	2014-074



Table IX – Significant Deficiencies in Internal Control over Compliance

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.917	HIV Care Formula Grants	Cash Management	2014-078
Health and Human Services	93.917	HIV Care Formula Grants	Subrecipient Monitoring	2014-081

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the District as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated January 28, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

June 26, 2015



Government of the District of Columbia

Schedule I: Schedule of Expenditures
of Federal Awards By Federal Grantor
Year Ended September 30, 2014

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Homeland Security		
NATIONAL SPECIAL SECURITY EVENT	97.126	\$ 1,143,986
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111	2,132,795
HOMELAND SECURITY-RELATED SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (HS STEM) CAREER DEVELOPMENT PROGRAM	97.104	138,203
DRIVER LICENSE SECURITY GRANT PROGRAM	97.089	754,298
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078	181,901
HOMELAND SECURITY GRANT PROGRAM	97.067	71,131,624
PORT SECURITY PROGRAM GRANT	97.056	24,900
INTEROPERABLE EMERGENCY COMMUNICATIONS	97.055	(25,938)
COOPERATING TECHNICAL PARTNERS	97.045	15,960
ASSISTANCE TO FIREFIGHTERS GRANT	97.044	1,234,996
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	3,520,117
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	60,104
COMMUNITY ASSISTANCE PROGRAM STATE SUPPORT SERVICES ELEMENT (CAP-SSE)	97.023	47,361
BOATING SAFETY FINANCIAL ASSISTANCE	97.012	893,621
NON-PROFIT SECURITY PROGRAM	97.008	355,388
Total U.S. Department of Homeland Security		81,609,316
Social Security Administration		
SOCIAL SECURITY DISABILITY INSURANCE	96.001	9,627,420
Corporation for National and Community Service		
SENIOR COMPANION PROGRAM	94.016	290,962
TRAINING AND TECHNICAL ASSISTANCE	94.009	28,832
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	72,383
AMERICORPS	94.006	2,747,029
STATE COMMISSIONS	94.003	262,789
Total Corporation for National and Community Service		3,401,995
U.S. Department of Health and Human Services		
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994	8,355,349
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991	618,896
PREVENTIVE HEALTH SERVICES - SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	1,053,821
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	5,877,916
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	800,097
ASSISTANCE PROGRAMS FOR CHRONIC DIDEASE PREVENTION & CONTROL	93.945	600,538
HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) SURVEILLANCE	93.944	1,241,605
HIV PREVENTION ACTIVITIES - HEALTH DEPARTMENT BASED	93.940	6,322,046
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	231,915
HEALTHY START INITIATIVE	93.926	2,991,632
HIV CARE FORMULA GRANTS	93.917	18,735,475
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	28,281,968
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	549,122
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH - FAMILY HEALTH INTERNATIONAL	93.855	115,278
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS (TITLE XIX) - MEDICAID	93.796	1,905,481
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791	1,990,928
CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS) RESEARCH, DEMONSTRATIONS AND EVALUATIONS	93.779	160,442

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
MEDICAL ASSISTANCE PROGRAM	93.778	1,802,708,096
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS (TITLE XIX) - MEDICAID	93.777	1,345,593
ARRA - STATE MEDICAID FRAUD CONTROL UNITS	93.775	2,031,618
SUBTOTAL - MEDICAID CLUSTER		1,806,085,307
MEDICARE - HOSPITAL INSURANCE	93.773	2,927,427
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	16,493,797
PPHF 2012: HEALTH CARE SURVEILANCE/HEALTH STATISTICS - SURVEILANCE PROGRAM ANNOUNCEMENT: BEHAVIORAL RISK FACTOR SURVEILANCE SYSTEM FINANCED IN PART BY 2012 PREVENTION & PUBLIC HEALTH FUNDS (PPHF-2012)	93.745	155,397
PPHF 2012: COMMUNITY TRANSFORMATION GRANTS - SMALL COMMUNITIES PROGRAM FINANCED SOLELY BY 2012 PUBLIC PREVENTION & HEALTH FUNDS	93.737	1,205,673
STATE PUBLIC HEALTH APPROACHES FOR ENSURING OUTLINE CAPACITY - FUNDED IN PART BY 2012 PREVENTION & PUBLIC HEALTH FUNDS (PPHF-2012)	93.735	50,000
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719	1,787,693
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS		
GRANTS TO STATES & INDIAN TRIBES	93.671	699,072
FOSTER CARE - TITLE IV-E	93.658	44,618,374
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	1,333,247
SOCIAL SERVICES BLOCK GRANT	93.667	7,812,897
ADOPTION ASSISTANCE	93.659	13,291,888
ADOPTION OPPORTUNITIES	93.652	630,171
CHILD WELFARE - SERVICES - STATE GRANTS	93.645	363,097
CHILDREN'S JUSTICE GRANTS TO STATES	93.643	63,814
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630	545,320
VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES - GRANTS TO STATES	93.617	181,425
HEAD START	93.600	7,823,497
HEAD START - PASS-THROUGH FUNDING, UNITED PLANNING ORGANIZATION	93.600	3,429,216
SUBTOTAL - HEAD START CLUSTER		11,252,713
CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	93.599	259,206
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597	99,922
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590	174,933
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUNDS (GD0)	93.596	6,407,133
CHILD CARE & DEVELOPMENT BLOCK GRANT	93.575	2,074,121
SUBTOTAL - CHILD CARE AND DEVELOPMENT (CCDF) CLUSTER		8,481,254
COMMUNITY SERVICE BLOCK GRANT	93.569	10,588,904
LOW INCOME HOME ENERGY ASSISTANCE	93.568	10,107,501
REFUGEE & ENTRANT ASSISTANCE - STATE ADMINISTERED	93.566	2,565,217
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	17,515,855
ARRA - EMERGENCY CONTINGENCY FUND FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) STATE PROGRAM	93.714	5,494,388
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	73,145,582
SUBTOTAL - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CLUSTER		78,639,970
PROMOTING SAFE AND STABLE FAMILIES	93.556	469,572
THE PATIENT PROTECTION AND AFFORDABLE CARE ACT OF 2010 (AFFORDABLE CARE ACT) AUTHORIZED COORDINATED CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION PROGRAM	93.544	188,721
PPHF CAPACITY BUILDING ASSISTANCE TO STRENGTHEN PUBLIC HEALTH IMMUNIZATION INFRASTRUCTURE AND PERFORMANCE FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS	93.539	387,190
STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	93.525	37,343,221

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
BUILDING CAPACITY OF THE PUBLIC HEALTH SYSTEM TO IMPROVE POPULATION HEALTH THROUGH NATIONAL, NON-PROFIT ORGANIZATIONS - FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS (PPHF) - ASSOCIATION OF STATE AND TERRITORIAL HEALTH OFFICIALS (ASTHO)	93.524	90,395
THE AFFORDABLE CARE ACT: BUILDING EPIDEMIOLOGY, LABORATORY, AND HEALTH INFORMATION SYSTEMS CAPACITY IN THE EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASE (ELC) AND EMERGING INFECTIONS PROGRAMS (EIP)		
COOPERATIVE AGREEMENTS; PPHF	93.521	428,013
AFFORDABLE CARE ACTS - CONSUMER ASSISTANCE PROGRAM GRANTS	93.519	257,073
AFFORDABLE CARE ACT - MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS	93.518	13,784
AFFORDABLE CARE ACT - AGING AND DISABILITY RESOURCE CENTER	93.517	163,215
AFFORDABLE CARE ACT - GRANTS TO STATES FOR HEALTH INSURANCE PREMIUM REVIEW	93.511	649,322
ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT ACCESS EMPLOYEES OF LONG TERM FACILITIES AND PROVIDERS	93.506	887,806
AFFORDABLE CARE ACT (ACA) MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.505	2,327,279
AFFORDABLE CARE ACT (ACA) GRANTS FOR SCHOOL-BASED HEALTH CENTER CAPITAL EXPENDITURES	93.501	22,804
PREGNANCY ASSISTANCE FUND PROGRAM	93.500	456,928
SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	732,911
CANCER CAUSE AND PREVENTION RESEARCH	93.393	99,248
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	8,307
NATIONAL PUBLIC HEALTH IMPROVEMENT INITIATIVE	93.292	226,988
CENTERS FOR DISEASE CONTROL & PREVENTION - INVESTIGATIONS & TECHNICAL ASSISTANCE	93.283	1,692,820
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275	2,974,745
ADULT VIRAL HEPATITIS PREVENTION AND CONTROL	93.270	49,148
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	1,566,806
UNIVERSAL NEWBORN HEARING SCREENING	93.251	141,151
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS) - PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	4,590,924
GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	93.165	416,018
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150	267,627
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM COOP AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.136	96,095
MENTAL HEALTH PLANNING AND DEMONSTRATION PROJECTS	93.130	136,757
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.125	109,587
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.116	337,983
FOOD AND DRUG ADMINISTRATION - RESEARCH	93.110	210,380
AFFORDABLE CARE ACT PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.103	3,092
GUARDIANSHIP ASSISTANCE	93.092	256,974
COOPERATIVE AGREEMENTS TO PROMOTE ADOLESCENT HEALTH THROUGH SCHOOL-BASED HIV/STD PREVENTION AND SCHOOL-BASED SURVEILLANCE	93.090	2,844,075
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	93.079	303,484
DC LIFESPAN RESPITE PROGRAM	93.074	6,603,113
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.072	93,187
TOBACCO REGULATION AWARENESS, COMMUNICATION, AND EDUCATION PROGRAM	93.070	420,565
NATIONAL FAMILY CAREGIVERS SUPPORT TITLE III PART E	93.058	142,048
ALZHEIMERS'S DISEASE DEMONSTRATION GRANTS TO STATES	93.052	561,328
	93.051	57,979

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
SPECIAL PROGRAMS FOR THE AGING - TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	(7,988)
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	490,231
SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART C - NUTRITION SERVICES	93.045	3,297,642
SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART B - GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	1,478,587
SUBTOTAL - TITLE III AGING CLUSTER		5,266,460
SPECIAL PROGRAMS FOR THE AGING - TITLE VII, CHAPTER 2 - LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	93.042	150,254
SPECIAL PROGRAMS FOR THE AGING - Title VII, CHAPTER 3 - PROGRAMS FOR PREVENTION OF ELDER ABUSE, NEGLECT, AND EXPLOITATION	93.041	23,626
STATE & TERRITORIAL & TECHNICAL ASSISTANCE CAPACITY DEVELOPMENT MINORITY HIV/AIDS DEMONSTRATION PROGRAM	93.006	195,815
Total U.S. Department of Health and Human Services		2,192,019,413
U.S. Department of Education		
STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	20,000
ARRA - STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	20,051,204
SUBTOTAL - STATES FISCAL STABILIZATION FUND RACE TO THE TOP		20,071,204
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	1,236,538
ARRA - SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	84.388	3,026,169
SCHOOL IMPROVEMENT GRANTS	84.377	89,188
SUBTOTAL - SCHOOL IMPROVEMENTS GRANTS CLUSTER		3,115,357
TEACHER INCENTIVE FUND	84.374	11,560,701
STATEWIDE DATA SYSTEMS	84.372	1,428,834
DC SCHOOL CHOICE INCENTIVE PROGRAM	84.370	24,696,475
GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	2,007,745
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	10,571,309
MATHEMATICS & SCIENCE PARTNERSHIP	84.366	989,379
ENGLISH LANGUAGE ACQUISITION	84.365	849,052
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	218,934
ADVANCED PLACEMENT PROGRAM	84.330	41,362
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS FOR CHILDREN WITH DISABILITIES	84.325	150,064
CAPACITY BUILDING FOR TRADITIONALLY UNDERSERVED POPULATIONS	84.315	203,808
21ST CENTURY COMM LEARNING CTRS-AFTER SCHOOL	84.287	5,335,674
CHARTER SCHOOLS	84.282	3,314,930
ASSISTIVE TECHNOLOGY	84.224	363,997
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	692,622
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	150,721
SUPPORTED EMPLOYMENT SERVICES FOR INDIVIDUALS WITH THE MOST SIGNIFICANT DISABILITIES	84.187	274,730
SPECIAL EDUCATION - GRANTS FOR INFANTS - FAMILIES	84.181	1,990,828
REHABILITATION SERVICES - INDEPENDENT LIVING SERVICES - OLDER INDIVIDUALS WHO ARE BLIND	84.177	237,857
INDEPENDENT LIVING - STATE GRANTS	84.169	282,425
REHABILITATION SERVICES - VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	15,166,109
MINORITY SCIENCE AND ENGINEERING IMPROVEMENT	84.120	163,039
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	4,558,922
TRIO - UPWARD BOUND	84.047	282,741
TRIO - TALENT SEARCH	84.044	364,793
SUBTOTAL - TRIO CLUSTER		647,534
IMPACT AID	84.041	103,377
HIGHER EDUCATION - INSTITUTIONAL AID	84.031	3,000,222
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	333,071

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
SPECIAL EDUCATION - GRANT TO STATES	84.027	19,050,965
SUBTOTAL - SPECIAL EDUCATION CLUSTER		19,384,036
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013	242,016
FEDERAL DIRECT STUDENT LOANS	84.268	28,457,776
FEDERAL PELL GRANT PROGRAM	84.063	10,034,131
FEDERAL WORK-STUDY PROGRAM	84.033	255,048
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007	684,479
SUBTOTAL - STUDENT FINANCIAL ASSISTANCE CLUSTER		39,431,434
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	971,392
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	44,640,818
Total U.S. Department of Education		218,093,445
U.S. Department of Energy		
STATE HEATING OIL AND PROPANE PROGRAM	81.138	7,630
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128	(14,998)
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	564,632
STATE ENERGY PROGRAM	81.041	287,003
ARRA - STATE ENERGY PROGRAM	81.041	1,394
SUBTOTAL - STATE ENERGY PROGRAM		288,397
Total U.S. Department of Energy		845,661
Environmental Protection Agency		
STATE AND TRIBAL RESPONSE PROGRAM	66.817	208,483
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	93,026
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804	610,166
SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE SPECIFIC COOPERATIVE AGREEMENTS	66.802	112,798
HAZARDOUS WASTE MANAGEMENT STATE PROGRAM SUPPORT	66.801	269,500
POLLUTION PREVENTION GRANTS PROGRAM	66.708	496,427
PERFORMANCE PARTNERSHIP GRANTS	66.605	156,659
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	38,082
CHESAPEAKE BAY PROGRAM	66.466	1,133,264
CHESAPEAKE BAY PROGRAM - NATIONAL FISH & WILDLIFE FOUNDATION	66.466	504,222
SUBTOTAL - CHESAPEAKE BAY PROGRAM		1,637,486
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460	1,173,072
WATER QUALITY MANAGEMENT PLANNING	66.454	100,000
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL PROGRAM SUPPORT	66.419	1,161,398
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	1,740,975
STATE CLEAN DIESEL GRANT PROGRAM	66.040	408
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034	329,740
STATE INDOOR RADON GRANTS	66.032	157,792
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	883,357
Total Environmental Protection Agency		9,169,369
U.S. Department of Veterans Affairs		
VETERANS AFFAIRS MEDICAL CENTER	64.009	1,023,420
Total U.S. Department of Veterans Affairs		1,023,420
U.S. Small Business Administration		
FEDERAL AND STATE TECHNOLOGY PARTNERSHIP PROGRAM	59.058	56,998
STATE TRADE AND EXPORT PROMOTION PILOT GRANT PROGRAM (SBA)	59.061	108,474
Total U.S. Small Business Administration		165,472

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
National Science Foundation		
EDUCATION AND HUMAN RESOURCES	47.076	730,863
EDUCATION AND HUMAN RESOURCES - CLEMSON UNIVERSITY	47.076	6,268
SUBTOTAL - EDUCATION AND HUMAN RESOURCES		737,131
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	6,093
Total National Science Foundation		743,224
National Endowment for the Humanities		
NATIONAL LEADERSHIP GRANTS	45.312	9,199
GRANTS TO STATES	45.310	903,222
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS	45.025	660,094
Total National Endowment for the Humanities		1,572,515
Equal Employment Opportunity Commission		
EMPLOYMENT DISCRIMINATION - TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001	199,069
U.S. Department of the Treasury		
LOW-INCOME TAXPAYER CLINICS	21.008	86,239
STATE SMALL BUSINESS CREDIT INITIATIVE	21.UNK	73,211
Total U.S. Department of the Treasury		159,450
U.S. Department of Transportation		
PHMSA PIPELINE SAFETY PROGRAM ONE CALL GRANT	20.721	21,874
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700	185,007
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	3,063,825
ALTERNATIVES ANALYSIS	20.522	59,912
CAPITAL ASSIST PRGM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513	386,887
METROPOLITAN TRANSPORTATION PLANNING	20.505	576,685
FEDERAL TRANSIT - FORMULA GRANTS	20.507	27,224
SAFETY DATA IMPROVEMENT PROGRAM	20.234	4,055
ARRA - HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE -		
CAPITAL ASSISTANCE GRANTS	20.319	1,848,325
NATIONAL MOTOR CARRIER SAFETY	20.218	943,528
HIGHWAY PLANNING AND CONSTRUCTION	20.205	153,679,770
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	759,243
SUBTOTAL - HIGHWAY PLANNING & CONSTRUCTION		154,439,013
Total U.S. Department of Transportation		161,556,335
U.S. Department of Labor		
CONSULTATION AGREEMENTS	17.504	478,588
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING GRANTS	17.282	1,265,724
WORKFORCE INVESTMENT ACT (WIA) DISLOCATED WORKER NATIONAL RESERVE		
TECHNICAL ASSISTANCE TRAINING	17.281	6,287
WIA DISLOCATED WORKER FORMULA GRANTS	17.278	1,801,857
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273	13,684
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271	62,254
WIA YOUTH ACTIVITIES	17.259	1,865,454
WIA ADULT PROGRAM	17.258	1,427,677
SUBTOTAL - WIA CLUSTER		3,293,131
TRADE ADJUSTMENT ASSISTANCE	17.245	232,437
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	548,491
UNEMPLOYMENT INSURANCE	17.225	175,078,452
ARRA - UNEMPLOYMENT INSURANCE	17.225	6,083,994

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
SUBTOTAL - UNEMPLOYMENT INSURANCE		181,162,446
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	218,712
DISABLED VETERANS OUTREACH PROGRAM	17.801	309,006
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	3,167,504
SUBTOTAL - EMPLOYMENT SERVICE CLUSTER		3,695,222
COMPENSATION AND WORKING CONDITIONS	17.005	78,500
LABOR FORCE STATISTICS	17.002	676,990
Total U.S. Department of Labor		193,315,611
U.S. Department of Justice		
JOHN R JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	16.816	47,682
SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	16.812	33,705
EDWARD BYRNE MEMORIAL COMPETITIVE GRANT PROGRAM	16.751	51,605
SUPPORT FOR ADAM WALSH IMPLEMENTATION GRANT PROGRAM	16.750	210,175
PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	16.742	55,314
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	520,053
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	1,640,831
ARRA - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	(18,727)
SUBTOTAL - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM		1,622,104
PROTECTING INMATES AND SAFEGUARDING COMMUNITIES DISCRETIONARY GRANT PROGRAM	16.735	238,187
ENFORCING UNDERAGE DRINKING LAWS PROGRAM	16.727	55,938
PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	503,864
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	2,113,886
SUBTOTAL - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANT		2,617,750
PROJECT SAFE NEIGHBORHOODS	16.609	50,589
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593	58,861
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	734,555
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582	183,512
CRIME VICTIM ASSISTANCE PROGRAM	16.575	122,862
NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	16.554	60,000
STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS CENTERS	16.550	60,000
JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO STATES	16.540	397,056
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523	50,865
SEXUAL ASSAULT SERVICES FORMULA PROGRAM	16.017	24,335
Total U.S. Department of Justice		7,195,148
U.S. Department of the Interior		
RIVERS, TRAILS, AND CONSERVATION ASSISTANCE	15.921	43,359
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	592,141
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805	87,754
STATE WILDLIFE GRANTS	15.634	74,821
SPORT FISH RESTORATION PROGRAM	15.605	1,424,199
Total U.S. Department of the Interior		2,222,274
U.S. Department of Housing and Urban Development		
LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.905	804,664
COMMUNITY CHALLENGE PLANNING GRANT AND THE DEPARTMENT OF TRANSPORTATION'S TIGER II PLANNING GRANTS	14.704	1,312,665
FAIR HOUSING ASSISTANCE PROGRAM - STATE AND LOCAL	14.401	112,757
NEIGHBORHOOD STABILIZATION PROGRAM	14.264	1,564,209
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	12,599,864
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239	5,743,683
SHELTER PLUS CARE	14.238	4,295,156

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
SUPPORTIVE HOUSING PROGRAM	14.235	188,779
EMERGENCY SHELTER GRANT PROGRAM	14.231	1,170,319
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS	14.218	18,455,805
Total U.S. Department of Housing and Urban Development		46,247,901
U.S. Department of Defense		
AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800	159,890
BASIC, APPLIED , AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630	93,828
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.607	735,233
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420	97,718
NATIONAL GUARD CHALLENGE PROGRAM	12.404	1,524,495
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401	3,186,904
ELECTRONIC ABSENTEE SYSTEMS FOR ELECTIONS	12.217	96,898
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113	646,640
PROCUREMENT TECHNICAL ASSITANCE FOR BUSINESS FIRMS	12.002	290,633
Total U.S. Department of Defense		6,832,239
U.S. Department of Commerce		
MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	11.609	11,599
ARRA - STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM	11.558	838,987
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	246,836
STATE AND LOCAL IMPLEMENTATION GRANT PROGRAM	11.549	187,600
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474	46,855
Total U.S. Department of Commerce		1,331,877
U.S. Department of Agriculture		
FOREST HEALTH PROTECTION	10.680	1,000
COOPERATIVE FORESTRY ASSISTANCE	10.664	42,865
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	1,597,765
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	122,265
SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576	229,472
FARM TO SCHOOL GRANT PROGRAM	10.575	13,023
TEAM NUTRITION GRANTS	10.574	7,818
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	120,735
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	178,953
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	462,053
SUPPLEMENTARY NUTRITION ASSISTANCE PROGRAM (SNAP)	10.551	222,658,827
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561	15,952,500
SUBTOTAL - SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) CLUSTER		238,611,327
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	856,874
CHILD AND ADULT CARE FOOD PRGRAM	10.558	9,053,076
SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS & CHILDREN (WIC)	10.557	13,485,073
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	3,211,756
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	6,492
NATIONAL SCHOOL LUNCH PROGRAM	10.555	28,299,469
SCHOOL BREAKFAST PROGRAM	10.553	11,678,000
SUBTOTAL - NATIONAL SCHOOL LUNCH, BREAKFAST CLUSTER		43,195,717
COOPERATIVE EXTENSION SERVICE	10.500	939,972
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203	714,202
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	106,532
FARMERS' MARKET PROMOTION PROGRAM	10.168	62,636

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2014**

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	10.156	14,980
Total U.S. Department of Agriculture		<u>309,816,338</u>
 Total Expenditures of Federal Awards		 \$ 3,247,147,492

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia

Schedule II: Schedule of Expenditures
of Federal Awards By District Agency
Year Ended September 30, 2014

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Department of Health Care Finance		
SPECIAL PROGRAMS FOR THE AGING - TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	\$ (151,607)
AFFORDABLE CARE ACTS (ACA) - CONSUMER ASSISTANCE PROGRAM GRANTS	93.519	257,073
STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	93.525	31,707,805
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719	1,787,693
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	16,493,797
MEDICAL ASSISTANCE PROGRAM	93.778	1,767,455,502
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791	1,990,928
Total Department of Health Care Finance		1,819,541,191
Department of Employment Services		
LABOR FORCE STATISTICS	17.002	676,990
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	3,167,504
UNEMPLOYMENT INSURANCE	17.225	175,078,452
ARRA - UNEMPLOYMENT INSURANCE	17.225	6,083,994
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	548,491
TRADE ADJUSTMENT ASSISTANCE	17.245	232,437
WIA ADULT PROGRAM	17.258	1,427,677
WIA YOUTH ACTIVITIES	17.259	1,865,454
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271	62,254
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273	13,684
WIA DISLOCATED WORKER FORMULA GRANTS	17.278	1,801,857
WORKFORCE INVESTMENT ACT (WIA) DISLOCATED WORKER NATIONAL RESERVE TECHNICAL ASSISTANCE		
TRAINING	17.281	6,287
CONSULTATION AGREEMENT	17.504	478,588
DISABLED VETERANS OUTREACH PROGRAM	17.801	309,006
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	218,712
Total Department of Employment Services		191,971,387
State Superintendent of Education (OSSE)		
SCHOOL BREAKFAST PROGRAM	10.553	11,678,000
NATIONAL SCHOOL LUNCH PROGRAM	10.555	28,299,469
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	6,492
CHILD AND ADULT CARE FOOD PROGRAM	10.558	9,053,076
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	3,211,756
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	856,874
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	178,953
TEAM NUTRITION GRANTS	10.574	7,818
FARM TO SCHOOL GRANT PROGRAM	10.575	13,023
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	122,265
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	1,597,765
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	971,392
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	44,640,818
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013	242,016
SPECIAL EDUCATION - GRANT TO STATES	84.027	19,050,965
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	4,558,922
SPECIAL EDUCATION - PRESCHOOL INCENTIVE	84.173	333,071
SPECIAL EDUCATION - GRANTS FOR INFANTS - FAMILIES	84.181	1,990,828
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	150,721
CHARTER SCHOOLS	84.282	3,314,930
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	5,335,674
ADVANCED PLACEMENT PROGRAM	84.330	41,362
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	218,934

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
ENGLISH LANGUAGE ACQUISITION	84.365	849,052
MATHEMATICS & SCIENCE PARTNERSHIP	84.366	989,379
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	10,571,309
GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	2,007,745
DC SCHOOL CHOICE INCENTIVE PROGRAM	84.370	5,820,434
STATEWIDE DATA SYSTEMS	84.372	1,428,834
SCHOOL IMPROVEMENT GRANTS	84.377	89,188
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	1,236,538
ARRA - SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	84.388	3,026,169
ARRA - STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	20,051,204
STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	20,000
COOPERATIVE AGREEMENTS TO PROMOTE ADOLESCENT HEALTH THROUGH SCHOOL-BASED HIV/STD		
PREVENTION AND SCHOOL-BASED SURVEILLANCE	93.079	303,484
AFFORDABLE CARE ACT PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092	256,974
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	104,061
CHILD CARE & DEVELOPMENT BLOCK GRANT - DISCRETIONARY	93.575	2,074,121
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUNDS	93.596	6,407,133
HEAD START	93.600	122,879
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD		
OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	850
Total State Superintendent of Education (OSSE)		191,234,478
Department of Transportation		
COOPERATIVE FORESTRY ASSISTANCE	10.664	42,865
FOREST HEALTH PROTECTION	10.680	1,000
RIVERS, TRAILS, AND CONSERVATION ASSISTANCE	15.921	43,359
HIGHWAY PLANNING AND CONSTRUCTION	20.205	153,679,770
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	759,243
ARRA - HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE - CAPITAL ASSISTANCE		
GRANTS	20.319	1,848,325
METROPOLITAN TRANSPORTATION PLANNING	20.505	576,685
FEDERAL TRANSIT - FORMULA GRANTS	20.507	27,224
CAPITAL ASSIST PRGM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513	386,887
ALTERNATIVES ANALYSIS	20.522	59,912
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	3,063,825
Total Department of Transportation		160,489,095
Department of Human Services		
SUPPLEMENTARY NUTRITION ASSISTANCE PROGRAM (SNAP) - FOOD STAMPS	10.551	222,658,827
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE		
PROGRAM	10.561	14,206,478
EMERGENCY SHELTER GRANT PROGRAM	14.231	1,170,319
SHELTER PLUS CARE	14.238	3,708,400
VETERANS AFFAIRS MEDICAL CENTER	64.009	1,023,420
PREGNANCY ASSISTANCE FUND PROGRAM	93.500	456,928
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	73,145,582
REFUGEE & ENTRANT ASSISTANCE - STATE ADMINISTERED	93.566	2,565,217
COMMUNITY SERVICE BLOCK GRANT	93.569	10,588,904
SOCIAL SERVICES BLOCK GRANT	93.667	7,812,897
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS TO GRANTS TO		
STATES & INDIAN TRIBES	93.671	699,072
ARRA - EMERGENCY CONTINGENCY FUND FOR TANF STATE PROGRAM	93.714	5,494,388
MEDICAL ASSISTANCE PROGRAM	93.778	23,657,483
Total Department of Human Services		367,187,915

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Department of Health		
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)	10.557	13,485,073
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561	1,325,103
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	120,735
SHELTER PLUS CARE	14.238	586,756
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	12,599,864
COMPENSATION AND WORKING CONDITIONS	17.005	78,500
STATE & TERRITORIAL & TECHNICAL ASSISTANCE CAPACITY DEVELOPMENT MINORITY HIV/AIDS		
DEMONSTRATION PROGRAM	93.006	195,815
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.070	420,565
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP)		
ALIGNED COOPERATIVE AGREEMENTS	93.074	6,603,113
FOOD AND DRUG ADMINISTRATION - RESEARCH	93.103	3,092
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	106,319
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116	337,983
COOPERATIVE AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF		
PRIMARY CARE OFFICES	93.130	136,757
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM	93.136	96,095
GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	93.165	416,018
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS) - PROJECTS OF REGIONAL AND NATIONAL		
SIGNIFICANCE	93.243	751,542
UNIVERSAL NEWBORN HEARING SCREENING	93.251	141,151
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	1,566,806
ADULT VIRAL HEPATITIS PREVENTION AND CONTROL	93.270	49,148
CENTERS FOR DISEASE CONTROL & PREVENTION - INVESTIGATIONS & TECHNICAL ASSISTANCE	93.283	1,321,391
NATIONAL PUBLIC HEALTH IMPROVEMENT INITIATIVE	93.292	226,988
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	8,307
AFFORDABLE CARE ACT (ACA) GRANTS FOR SCHOOL-BASED HEALTH CENTER CAPITAL EXPENDITURES	93.501	22,804
AFFORDABLE CARE ACT (ACA) MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.505	2,327,279
ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT		
ACCESS EMPLOYEES OF LONG TERM FACILITIES AND PROVIDERS	93.506	887,806
THE AFFORDABLE CARE ACT: BUILDING EPIDEMIOLOGY, LABORATORY, AND HEALTH INFORMATION		
SYSTEMS CAPACITY IN THE EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASE (ELC)		
AND EMERGING INFECTIONS PROGRAMS (EIP) COOPERATIVE AGREEMENTS; PPHF	93.521	428,013
BUILDING CAPACITY OF THE PUBLIC HEALTH SYSTEM TO IMPROVE POPULATION HEALTH THROUGH		
NATIONAL, NON-PROFIT ORGANIZATIONS - FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH		
FUNDS (PPHF) - ASSOCIATION OF STATE AND TERRITORIAL HEALTH OFFICIALS (ASTHO)	93.524	90,395
PPHF CAPACITY BUILDING ASSISTANCE TO STRENGTHEN PUBLIC HEALTH IMMUNIZATION INFRASTRUCTURE		
AND PERFORMANCE FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS	93.539	387,190
THE PATIENT PROTECTION AND AFFORDABLE CARE ACT OF 2010 (AFFORDABLE CARE ACT) AUTHORIZES		
COORDINATED CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION PROGRAM	93.544	188,721
PPHF 2012: COMMUNITY TRANSFORMATION GRANTS - SMALL COMMUNITIES PROGRAM FINANCED SOLELY		
BY 2012 PUBLIC PREVENTION & HEALTH FUNDS	93.737	1,205,673
PPHF 2012: HEALTH CARE SURVEILLANCE/HEALTH STATISTICS - SURVEILLANCE PROGRAM ANNOUNCEMENT:		
BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM FINANCED IN PART BY 2012 PREVENTION & PUBLIC		
HEALTH FUNDS (PPHF-2012)	93.745	155,397
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XVIII) MEDICARE	93.777	1,345,593
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.796	1,905,481
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	28,281,968
HIV CARE FORMULA GRANTS	93.917	18,735,475
HEALTHY START INITIATIVE	93.926	2,991,632
HIV PREVENTION ACTIVITIES - HEALTH DEPARTMENT BASED	93.940	6,322,046

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS)		
SURVEILLANCE	93.944	1,241,605
ASSISTANCE PROGRAMS FOR CHRONIC DISEASE PREVENTION & CONTROL	93.945	600,538
PREVENTIVE HEALTH SVCS - SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	1,053,821
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991	618,896
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994	8,355,349
Total Department of Health		117,722,803
Homeland Security / Emergency Management		
NON-PROFIT SECURITY PROGRAM	97.008	355,388
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	60,104
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	3,520,117
INTEROPERABLE EMERGENCY COMMUNICATIONS	97.055	(25,938)
HOMELAND SECURITY GRANT PROGRAM	97.067	71,131,624
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078	181,901
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111	2,132,795
NATIONAL SPECIAL SECURITY EVENT	97.126	1,143,986
Total Homeland Security / Emergency Management		78,499,977
Department of Housing and Community Development		
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	18,455,805
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239	5,743,683
NEIGHBORHOOD STABILIZATION PROGRAM - 3	14.264	1,564,209
COMMUNITY CHALLENGE PLANNING GRANT AND THE DEPARTMENT OF TRANSPORTATION'S TIGER II		
PLANNING GRANTS	14.704	1,312,665
LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.905	804,664
Total Department of Housing and Community Development		27,881,026
Child and Family Services		
JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO STATES	16.540	9,432
GUARDIANSHIP ASSISTANCE	93.090	2,844,075
PROMOTING SAFE AND STABLE FAMILIES	93.556	469,572
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590	174,933
CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	93.599	259,206
CHILDREN'S JUSTICE GRANTS TO STATES	93.643	63,814
CHILD WELFARE SERVICES - STATE GRANTS	93.645	363,097
ADOPTION OPPORTUNITIES	93.652	630,171
FOSTER CARE - TITLE IV-E	93.658	44,618,374
ADOPTION ASSISTANCE	93.659	13,291,888
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	1,333,247
Total Child and Family Services		64,057,809
District Department of the Environment		
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474	46,855
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113	646,640
SPORT FISH RESTORATION PROGRAM	15.605	1,424,199
STATE WILDLIFE GRANTS	15.634	74,821
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	883,357
STATE INDOOR RADON GRANTS	66.032	157,792
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034	329,740
STATE CLEAN DIESEL GRANT PROGRAM	66.040	408
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	1,740,975
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL PROGRAM SUPPORT	66.419	1,161,398
WATER QUALITY MANAGEMENT PLANNING PROGRAM	66.454	100,000

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460	1,173,072
CHESAPEAKE BAY PROGRAM	66.466	1,133,264
CHESAPEAKE BAY PROGRAM - NATIONAL FISH & WILDLIFE FOUNDATION	66.466	358,834
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	38,082
PERFORMANCE PARTNERSHIP GRANTS	66.605	156,659
POLUTION PREVENTION GRANTS PROGRAM	66.708	496,427
HAZARDOUS WASTE MANAGEMENT STATE PROGRAM SUPPORT	66.801	269,500
SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE SPECIFIC COOPERATIVE AGREEMENTS	66.802	112,798
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804	610,166
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	93,026
STATE AND TRIBAL RESPONSE PROGRAM GRANTS	66.817	208,483
STATE ENERGY PROGRAM	81.041	287,003
ARRA - STATE ENERGY PROGRAM	81.041	1,394
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	564,632
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128	(14,998)
STATE HEATING OIL AND PROPANE PROGRAM	81.138	7,630
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM	93.568	10,107,501
COMMUNITY ASSISTANCE PROGRAM STATE SUPPORT SERVICES ELEMENT (CAP-SSSE)	97.023	47,361
COOPERATING TECHNICAL PARTNERS	97.045	15,960
Total District Department of the Environment		22,232,979
Department on Disability Services		
REHABILITATION SERVICES - VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	15,166,109
INDEPENDENT LIVING - STATE GRANTS	84.169	282,425
REHABILITATION SERVICES - INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND	84.177	237,857
SUPPORTED EMPLOYMENT SERVICES FOR INDIVIDUALS WITH THE MOST SIGNIFICANT DISABILITIES	84.187	274,730
ASSISTIVE TECHNOLOGY	84.224	363,997
MEDICAL ASSISTANCE PROGRAM	93.778	8,719,507
SOCIAL SECURITY - DISABILITY INSURANCE	96.001	9,627,420
Total Department of Disability Services		34,672,045
Office of the Attorney General		
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	17,515,855
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597	99,922
Total Office of the Attorney General		17,615,777
University of the District of Columbia		
FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	10.156	14,980
FARMERS' MARKET PROMOTION PROGRAM	10.168	62,636
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	106,532
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203	714,202
COOPERATIVE EXTENSION SERVICE	10.500	939,972
MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	11.609	11,599
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420	97,718
BASIC, APPLIED, AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630	93,828
AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800	159,890
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805	87,754
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCCT) GRANTS	17.282	1,265,724
LOW-INCOME TAXPAYER CLINICS	21.008	86,239
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	6,093
EDUCATION AND HUMAN RESOURCES	47.076	730,863
EDUCATION AND HUMAN RESOURCES - CLEMSON UNIVERSITY	47.076	6,268
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007	684,479

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
HIGHER EDUCATION - INSTITUTIONAL AID	84.031	3,000,222
FEDERAL WORK-STUDY PROGRAM	84.033	255,048
TRIO - TALENT SEARCH	84.044	364,793
TRIO - UPWARD BOUND	84.047	282,741
FEDERAL PELL GRANT PROGRAM	84.063	10,034,131
MINORITY SCIENCE AND ENGINEERING IMPROVEMENT	84.120	163,039
FEDERAL DIRECT STUDENT LOANS	84.268	28,457,776
CAPACITY BUILDING FOR TRADITIONALLY UNDERSERVED POPULATIONS	84.315	203,808
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS FOR CHILDREN WITH DISABILITIES	84.325	150,064
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS) - PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	100,120
CANCER CAUSE AND PREVENTION RESEARCH	93.393	99,248
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	549,122
SCHOLASHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	732,911
SENIOR COMPANION PROGRAM	94.016	290,962
HOMELAND SECURITY-RELATED SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (HS STEM)		
CAREER DEVELOPMENT PROGRAM	97.104	138,203
Total University of the District of Columbia		49,890,965
District of Columbia Public Schools		
IMPACT AID	84.041	103,377
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	692,622
DC SCHOOL CHOICE INCENTIVE PROGRAM	84.370	18,876,041
TEACHER INCENTIVE FUND	84.374	11,560,701
HEAD START	93.600	7,700,618
HEAD START - PASS-THROUGH FUNDING, UNITED PLANNING ORGANIZATION	93.600	3,429,216
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	231,065
Total District of Columbia Public Schools		42,593,640
Office on Aging		
Commodity Supplemental Food Program	10.565	462,053
Senior Farmer Market Nutrition Program	10.576	229,472
SPECIAL PROGRAMS FOR THE AGING - Title VII, CHAPTER 3 - PROGRAMS FOR PREVENTION OF ELDER ABUSE, NEGLECT, AND EXPLOITATION	93.041	23,626
SPECIAL PROGRAMS FOR THE AGING - TITLE VII, CHAPTER 2 - LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	93.042	150,254
SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART B - GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	1,478,587
SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART C - NUTRITION SERVICES	93.045	3,297,642
SPECIAL PROGRAMS FOR THE AGING - TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	143,619
ALZHEIMERS'S DISEASE DEMONSTRATION GRANTS TO STATES	93.051	57,979
NATIONAL FAMILY CAREGIVERS SUPPORT TITLE III PART E	93.052	561,328
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	490,231
DC LIFESPAN RESPITE PROGRAM	93.072	93,187
AFFORDABLE CARE ACT - AGING AND DIABILITY RESOURCE CENTER	93.517	163,215
AFFORDABLE CARE ACT - MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS	93.518	13,784
CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS) RESEARCH, DEMONSTRATIONS AND A1 EVALUATIONS	93.779	160,442
Total Office on Aging		7,325,419
Department of Behavioral Health		
SUPPORTIVE HOUSING PROGRAM	14.235	188,779

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
TOBACCO REGULATION AWARENESS, COMMUNICATION, AND EDUCATION PROGRAM	93.058	142,048
MENTAL HEALTH PLANNING AND DEMONSTRATION PROJECTS	93.125	109,587
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150	267,627
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS) - PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	3,739,262
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275	2,974,745
CENTERS FOR DISEASE CONTROL & PREVENTION - INVESTIGATIONS & TECHNICAL ASSISTANCE	93.283	371,429
STATE PUBLIC HEALTH APPROACHES FOR ENSURING OUTLINE CAPACITY - FUNDED IN PART BY 2012 PREVENTION & PUBLIC HEALTH FUNDS (PPHF-2012)	93.735	50,000
MEDICARE - HOSPITAL INSURANCE	93.773	2,927,427
MEDICAL ASSISTANCE PROGRAM	93.778	2,804,059
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	800,097
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	5,877,916
Total Department of Behavioral Health		20,252,976
Metropolitan Police Department		
NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	16.554	60,000
PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	503,864
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	2,113,886
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	425,969
NATIONAL MOTOR CARRIER SAFETY	20.218	668,715
SAFETY DATA IMPROVEMENT PROGRAM	20.234	4,055
BOATING SAFETY FINANCIAL ASSISTANCE	97.012	893,621
HOMELAND SECURITY GRANT PROGRAM	97.056	24,900
Total Metropolitan Police Department		4,695,010
Deputy Mayor for Public Safety and Justice		
SEXUAL ASSAULT SERVICES FORMULA PROGRAM	16.017	24,335
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523	50,865
JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO STATES	16.540	387,624
CRIME VICTIM ASSISTANCE PROGRAM	16.575	122,862
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582	183,512
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	734,555
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593	58,861
PROJECT SAFE NEIGHBORHOODS	16.609	50,589
ENFORCING UNDERAGE DRINKING LAWS PROGRAM	16.727	55,938
PROTECTING INMATES AND SAFEGUARDING COMMUNITIES DISCRETIONARY GRANT PROGRAM	16.735	238,187
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROG	16.738	1,640,831
ARRA - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	(18,727)
PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	16.742	55,314
SUPPORT FOR ADAM WALSH IMPLEMENTATION GRANT PROGRAM	16.750	210,175
SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	16.812	33,705
JOHN R JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	16.816	47,682
Total Deputy Mayor for Public Safety and Justice		3,876,308
Deputy Mayor for Economic Development		
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.607	735,233
Total Deputy Mayor for Economic Development		735,233
Office of the Mayor		
STATE COMMISSIONS	94.003	262,789
AMERICORPS	94.006	2,747,029
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	72,383

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
TRAINING AND TECHNICAL ASSISTANCE	94.009	28,832
Total Office of the Mayor		3,111,033
Office of the Inspector General		
ARRA - STATE MEDICAID FRAUD CONTROL UNITS	93.775	2,031,618
Total Office of the Inspector General		2,031,618
DC National Guard		
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401	3,186,904
NATIONAL GUARD CHALLENGE PROGRAM	12.404	1,524,495
Total DC National Guard		4,711,399
Fire and Emergency Medical Services		
CHEAPSAPPEAKE BAY PROGRAM - NATIONAL FISH AND WILDLIFE FOUNDATION	66.466	145,388
ASSISTANCE TO FIREFIGHTERS GRANT	97.044	1,234,996
Total Fire and Emergency Medical Services		1,380,384
DC Public Library		
GRANTS TO STATES	45.310	903,222
NATIONAL LEADERSHIP GRANTS	45.312	9,199
Total DC Public Library		912,421
Commission on Arts & Humanities		
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS	45.025	660,094
Total Commission on Arts & Humanities		660,094
Office of the Chief Financial Officer		
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561	420,919
Total Office of the Chief Financial Officer		420,919
Office of Municipal Planning		
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	592,141
Total Office of Municipal Planning		592,141
Office of the Chief Technology Officer		
STATE AND LOCAL IMPLEMENTATION GRANT PROGRAM	11.549	187,600
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	246,836
ARRA - STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM	11.558	838,987
Total Office of the Chief Technology Officer		1,273,423
Department of Small & Local Business Development		
FEDERAL AND STATE TECHNOLOGY PARTNERSHIP PROGRAM	59.058	56,998
STATE TRADE AND EXPORT PROMOTION PILOT GRANT PROGRAM (SBA)	59.061	108,474
PROCUREMENT TECHNICAL ASSISTANCE FOR BUSINESS FIRMS	12.002	290,633
Total Department of Small & Local Business Development		456,105
Office of Human Rights		
FAIR HOUSING ASSISTANCE PROGRAM - STATE AND LOCAL	14.401	112,757
EMPLOYMENT DISCRIMINATION - TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001	199,069
Total Office of Human Rights		311,826
Public Service Commission		
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700	185,007
PHMSA PIPELINE SAFETY PROGRAM ONE CALL GRANT	20.721	21,874

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2014

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Total Public Service Commission		206,881
Office of Disability Rights		
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630	545,320
Total Office of Disability Rights		545,320
Department of Motor Vehicles		
NATIONAL MOTOR CARRIER SAFETY	20.218	274,813
DRIVER LICENSE SECURITY GRANT PROGRAM	97.089	754,298
Total Department of Motor Vehicles		1,029,111
Department of Insurance, Securities and Banking		
AFFORDABLE CARE ACT (ACA) GRANTS TO STATES FOR HEALTH INSURANCE PREMIUM REVIEW	93.511	649,322
STATE SMALL BUSINESS CREDIT INITIATIVE	21.UNK	73,211
Total Department of Insurance, Securities and Banking		722,533
District of Columbia Health Benefit Exchange Authority		
STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	93.525	5,635,416
Total District of Columbia Health Benefit Exchange Authority		5,635,416
United Medical Center		
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH - FAMILY HEALTH INTERNATIONAL	93.855	115,278
Total United Medical Center		115,278
Department of Forensics Sciences		
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	94,084
Total Department of Forensics Sciences		94,084
Office of Administrative Hearing		
MEDICAL ASSISTANCE PROGRAM	93.778	71,545
Total Office of Administrative Hearing		71,545
Criminal Justice Coordinating Council		
EDWARD BYRNE MEMORIAL COMPETITIVE GRANT PROGRAM	16.751	51,605
STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS CENTERS	16.550	60,000
Total Criminal Justice Coordinating Council		111,605
Board of Election and Ethics		
ELECTRONIC ABSENTEE SYSTEMS FOR ELECTIONS	12.217	96,898
VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES - GRANTS TO STATES	93.617	181,425
Total Board of Election and Ethics		278,323
Total Expenditures of Federal Awards		\$ 3,247,147,492

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.



Government of the District of Columbia

Notes to the Schedules of Expenditures
of Federal Awards
Year Ended September 30, 2014

Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2014

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Schedules of Expenditures of Federal Awards (the Schedules) include the activity of all federal award programs administered by the Government of the District of Columbia (District), except for the District of Columbia Housing Finance Agency (HFA), for the fiscal year ended September 30, 2014. This component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133, and, as such the federal awards for this entity are excluded from the Schedules.

Federal award programs include direct expenditures, monies passed through to nonstate agencies (i.e., payments to subrecipients), nonmonetary assistance, and loan programs.

Basis of Presentation

The Schedules present total federal awards expended for each individual federal program in accordance with OMB Circular A-133. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (Catalog). Federal award program titles not presented in the Catalog are identified by Federal awarding agency's two digit prefix (or 99) followed by (contract number or UNKNOWN).

Basis of Accounting

The expenditures for each of the federal award programs are presented in the Schedules on a modified accrual basis. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. Thus, those Federal programs presenting negative amounts on the Schedules are the result of prior year estimates being overstated and/or reimbursements due back to the grantor.

Matching Costs

Matching costs, the nonfederal share of certain programs costs, are not included in the Schedules.

Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2014

Note 2. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedules, which are prepared on the basis explained in Note 1.

Note 3. Federally Funded Loan Programs

Community Development Block Grants (CFDA #14.218)

The amount of total program expenditures in the accompanying schedules is \$18,455,805, which includes current year loan disbursements. The outstanding loans cumulative balance as of September 30, 2014, is \$303,050,220.

Home Investment Partnerships Program (CFDA #14.239)

The amount of total program expenditures in the accompanying schedules is \$5,743,683, which includes current year loan disbursements. The outstanding loans cumulative balance as of September 30, 2014, is \$99,230,992.

Federal Direct Student Loan Program (CFDA #84.268)

The District, through the University of the District of Columbia (UDC), participates in the Federal Direct Student Education Loan Program. Beginning July 1, 2010 the University of the District of Columbia began participating in the Federal Direct Loans Program. In fiscal year 2014, new loans made to students enrolled at UDC under the Federal Loan Program, CFDA #84.268 totals \$28,457,776. This amount is included in the Schedules.

Beginning Balance	\$77,240,206
Add: New Loans	<u>28,457,776</u>
	105,697,982
Less: Principal Payments	<u>-</u>
Ending Balance	<u>\$105,697,982</u>

Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2014

Federal Student Financial Assistance

The composition of the UDC Federal Student Financial Assistance in fiscal year 2014 is as follows:

<u>Program Title</u>	<u>CFDA #</u>	<u>Amount</u>
Federal Direct Student Loans	84.268	\$28,457,776
Federal Pell Grant	84.063	10,034,131
Federal Work-Study Program	84.033	255,048
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	<u>684,479</u>
Subtotal – U.S. Department of Education		39,431,434
Scholarships For Health Professions Students From Disadvantaged Students	93.925	<u>732,911</u>
Subtotal – U.S. Department of Health And Human Services		<u>732,911</u>
Total – Federal Student Financial Assistance		<u>\$40,164,345</u>

Note 4. Rebates from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

During fiscal year 2014, the District received cash rebates from infant formula manufacturers totaling \$4,643,131 on sales of formula to participants in the WIC program (CFDA #10.557), which are netted against total expenditures included in the Schedules. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

Note 5. Non-Cash Awards

Most federal awards are in the form of cash awards; however, a number of federal programs involve non-cash transactions. These programs may include food stamps, food commodities, and donated property and also loans and loans guarantees. OMB Circular A-133 states that the value of federal awards expended in the form of non-cash assistance should be reported either on the face of the schedule or disclosed in the notes to the schedule.

Food Stamps Program – EBT Redemption

The Food Stamp program recorded the gross up of the amount of food stamps totaling \$222,658,827 that were used by the District citizens for fiscal year 2014. The Food Stamp Program is a program that is funded by the Federal Government, and these expenditures are not charged against the District's

Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2014

budget but included in the SEFA as CFDA #10.551 in compliance with the United States Department Agriculture guidance on *Reporting Expenditures of Supplemental Nutrition Assistance Program (SNAP) Funding in Connection with A-133 Single Audits*.

The reported expenditures for benefits under SNAP are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

Commodities – Food Nutrition Service

The total non-cash award value for food commodities (e.g. milk, cheese, etc.) provided to the District of Columbia Office of the State Superintendent of Education during fiscal year 2014 is \$2,667,328, with \$1,786,918 distributed to the District of Columbia Public Schools and the remaining non-cash award to other local educational agencies (LEAs) in the District. This non-cash award is a program that is funded by the U.S. Department of Agriculture (USDA) under CFDA #10.555, and these amounts are not included in the SEFA.

Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2014

Note 6. Unemployment Insurance

State unemployment tax revenues and government, tribal, and non-profit reimbursements in lieu of State taxes (State UI funds) must be deposited to the Unemployment Trust Fund in the U.S. Treasury, and are primarily used to pay benefits under the federally-approved State unemployment law. Consequently, State UI funds as well as Federal funds are included in the total expenditures of CFDA #17.225 in the accompanying Schedules. The composition of CFDA #17.225 in fiscal year 2014 is as follows:

State UI Benefits	\$141,764,664
Federal UI and Extended UI Benefits	18,638,331
Federal UI Administrative Expenditures	<u>14,675,457</u>
Total	\$175,078,452
Additional Federal Unemployment Compensation	
ARRA – Federal UI	<u>6,083,994</u>
Total	<u>\$181,162,446</u>

Note 7. Head Start

In fiscal year 2014 the D.C. Public Schools expended additional Head Start funds passed through from the United Planning Organization as a delegate to provide services under the Head Start program. These pass through funds are included under CFDA# 93.600.

<u>Program Title</u>	<u>CFDA #</u>	<u>Amount</u>
Head Start & Early Head Start	93.600	\$ <u>3,429,216</u>

Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2014

Note 8. Subrecipients

Of the federal expenditures presented in the Schedules, the District provided federal awards to major program subrecipients as follows. It is not practicable to determine amounts passed to subrecipients of nonmajor programs.

<u>Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Homeland Security Grant Program	97.067	\$ 52,503,666
State Planning and Establishment Grants for for the Affordable Care Act (ACA)'s Exchanges	93.525	4,520,393
HIV Care Formula Grants	93.917	4,449,439
HIV Emergency Relief Project Grants	93.914	25,459,710
Housing Opportunities for Person with AIDS	14.241	12,377,212
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	3,071,687
Community Development Block Grants (CDBG)	14.218	13,588,430
School Breakfast Program	10.553	11,678,000
National School Lunch Program	10.555	28,299,469
Special Milk Program for Children	10.556	6,492
Summer Food Service Program for Children	10.559	3,116,085
Title I Grants to Local Education Agencies	84.010	44,325,438
Special Education Grants to States	84.027	16,707,012
Special Education – Preschool Grants	84.173	285,614
DC School Choice Incentive Program	84.370	5,449,741
Improving Teacher Quality State Grants	84.367	10,299,755
ARRA – State Fiscal Stabilization Fund (SFSF)		
Race to the Top Incentive Grant	84.395	16,394,710
Total		<u>\$252,532,853</u>



Government of the District of Columbia

Schedule of Findings
And Questioned Costs
Year Ended September 30, 2014

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2014

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2014

1. Summary of Auditor's Results

Basic Financial Statements

- a) Unmodified opinions were issued on the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District) as of and for the year ended September 30, 2014.
- b) The audit identified no material weaknesses and six significant deficiencies in internal control over financial reporting in connection with the basic financial statements of the District as of and for the year ended September 30, 2014.
- c) The audit disclosed an instance of noncompliance that is material to the basic financial statements of the District as of and for the year ended September 30, 2014.

Single Audit

- d) The audit of Federal financial assistance disclosed material weaknesses and significant deficiencies that were reported in connection with major Federal programs of the District for the year ended September 30, 2014.
- e) The type of report issued on compliance for each major program is as follows:

#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
1	Supplemental Nutrition Assistance Program Cluster	10.551, 10.561	Qualified
2	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	Qualified
3	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	Unmodified
4	Community Development Block Grants/Entitlement Grants	14.218	Adverse
5	HOME Investment Partnerships Program	14.239	Adverse
6	Housing Opportunities for Persons with AIDS	14.241	Qualified
7	Unemployment Insurance	17.225	Qualified
8	Highway Planning and Construction	20.205	Unmodified
9	Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268, 93.925	Adverse

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2014

#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
10	Title I Grants to Local Educational Agencies	84.010	Unmodified
11	Special Education Cluster	84.027, 84.173	Qualified for Scope Limitation
12	Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	Qualified
13	Improving Teacher Quality State Grants	84.367	Unmodified
14	D.C. School Choice Incentive Program	84.370	Qualified
15	Teacher Incentive Fund Program	84.374	Qualified
16	State Fiscal Stabilization Fund – Race to the Top	84.395	Qualified
17	State Planning and Establishment Grants for the Affordable Care Act Exchanges	93.525	Unmodified
18	Temporary Assistance for Needy Families Cluster	93.558, 93.714	Adverse
19	Head Start	93.600	Qualified
20	Foster Care – Title IV-E	93.658	Adverse
21	Adoption Assistance – Title IV-E	93.659	Adverse
22	Children’s Health Insurance Program	93.767	Qualified for Scope Limitation
23	Medicaid Cluster	93.775, 93.777, 93.778	Qualified
24	HIV Emergency Relief Project Grants	93.914	Qualified for Scope Limitation and Material Noncompliance
25	HIV Care Formula Grants	93.917	Qualified for Scope Limitation and Material Noncompliance
26	Homeland Security Grant Program	97.067	Unmodified

- f) There were audit findings that are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended September 30, 2014.
- g) The major Federal programs of the District for the year ended September 30, 2014 were as follows:

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2014

#	Major Program/Cluster	CFDA Number(s)
1	Supplemental Nutrition Assistance Program Cluster	10.551, 10.561
2	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
3	Special Supplemental Nutrition Program for Women, Infants and Children	10.557
4	Community Development Block Grants/Entitlement Grants	14.218
5	HOME Investment Partnerships Program	14.239
6	Housing Opportunities for Persons with AIDS	14.241
7	Unemployment Insurance	17.225
8	Highway Planning and Construction	20.205
9	Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268, 93.925
10	Title I Grants to Local Educational Agencies	84.010
11	Special Education Cluster	84.027, 84.173
12	Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126
13	Improving Teacher Quality State Grants	84.367
14	D.C. School Choice Incentive Program	84.370
15	Teacher Incentive Fund Program	84.374
16	State Fiscal Stabilization Fund – Race to the Top	84.395
17	State Planning and Establishment Grants for the Affordable Care Act Exchanges	93.525
18	Temporary Assistance for Needy Families Cluster	93.558, 93.714
19	Head Start	93.600
20	Foster Care – Title IV-E	93.658
21	Adoption Assistance – Title IV-E	93.659
22	Children’s Health Insurance Program	93.767
23	Medicaid Cluster	93.775, 93.777, 93.778
24	HIV Emergency Relief Project Grants	93.914
25	HIV Care Formula Grants	93.917
26	Homeland Security Grant Program	97.067

- h) The dollar threshold used to distinguish between Type A and Type B programs was \$10,914,698 for Federal awards for the year ended September 30, 2014.
- i) The District did not qualify as a low-risk auditee for the year ended September 30, 2014.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2014

2. Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

See the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on pages 3 through 33 for findings 2014-01 through 2014-06 related to the basic financial statements reported in accordance with *Government Auditing Standards*.

3. Findings and Questioned Costs Related to Federal Awards

Finding Number 2014-007
Prior Year Finding Number 2013-005

Federal Awarding Agency	CFDA #	Federal Program	Federal Award Number
Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	14141DC700W2001 14141DC700W1003 14141DC700W1006 14141DC700W5003 14141DC700W5005 14141DC700W5413
Department of Housing and Urban Development	14.218	Community Development Block Grants – Entitlement Grants	B11-MC-11-0001 B12-MC-11-0001 B13-MC-11-0001
Department of Housing and Urban Development	14.239	Home Investment Partnerships Program	M11-SG-11-0100 M12-SG-11-0100
Department of Education	84.027, 84.173	Special Education Cluster	42173A H027A130127 H173A130006 H027A120010-12A H173A120006
Department of Education	84.395	State Fiscal Stabilization Fund – Race To The Top	S395A100048
Department of Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Various
Department of Health and Human Services	93.917	HIV Care Formula Grants	2 X07HA00045-23-00 2 X07HA00045-24-00

District Department Office of Contracting and Procurement (OCP)
Compliance Requirement Office of the Chief Financial Officer (OCFO)
Finding Related to ARRA Procurement and Suspension and Debarment
Yes

Criteria

According to 2 CFR Part 215, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

According to 27 DCMR chapter 17, in each instance where the sole source procurement procedures are used, the contracting officer shall prepare a written determination and findings (“D&F”) justifying the procurement which specifically demonstrates that procurement by competitive sealed bids or competitive sealed proposals is not required.

According to DC Code 2-354.06, the CPO may conduct negotiations for a human care agreement with any responsible service provider who has submitted a statement of qualifications, without any additional public

notice or solicitation required, to satisfy all or part of the District's anticipated requirements for a particular human care service. Before conducting negotiations with a service provider, the CPO shall issue a determination and findings that the service provider is responsible.

27 DCMR-Chapter 12 states that the contracting officer shall sign the contract after it has been signed by the contractor.

The documentation in each contract file maintained by the contract office shall be sufficient to constitute a complete history of the transaction for the following purposes:

- a) Providing a complete background as a basis for informed decisions at each step of the procurement process;
- b) Supporting actions taken;
- c) Providing information for reviews and investigations; and
- d) Furnishing essential facts in the event of litigation.

According to DC 27 DCMR 1002.4, "each delegation of contracting authority by an agency head to an official under his or her administrative control shall be in writing and shall include clear instructions on the limitations of the contracting authority being delegated.

Per 27 DCMR, 1700.1 "The contracting officer may award a contract through a sole source procurement when there is only one (1) source for the required goods or services"

Per 27 DCMR, 1710.3, "The justification for emergency procurement shall not be based solely on internal governmental circumstances. In the absence of an emergency condition, an emergency procurement shall not be justified on the basis of any of the following circumstances:

- a) The lack of adequate advance planning for the procurement of required supplies, services, or construction;
- b) Delays in procurement caused by administrative delays, lack of sufficient procurement personnel, or improper handling of procurement requests or Competitive procedures; or
- c) Pending expiration of budget authority".

Per 27 DCMR, 2200.4 (f) "a prospective contractor shall meet compliance with the applicable District licensing and tax laws and regulations".

Condition

To test the District's compliance with procurement and suspension and debarment requirements, we selected a sample of 38 procurement actions executed by the District's Office of Contracting and Procurement (OCP) which were funded by federal awards. During our testwork, we noted the following:

- A. For 2 procurements, the contracting officer delegation of authority was not provided for review.
- B. For 7 procurements, there was insufficient documentation maintained in the contract file to support whether the procurement went through competition or justification for a lack thereof.
- C. For 1 procurement, the cost price analysis for the contract amount in excess of \$500,000 was not provided for review.
- D. For 1 procurement, the sole source determination & finding (D&F) was not approved by the Contracting Officer and Chief Contracting Officer.
- E. For 1 procurements, the sole source determination & finding (D&F) was not provided for review.
- F. For 2 procurements, the determination & finding (D&F) for the human care agreement was not provided for review.
- G. For 2 procurements over \$100,000, there was no signed contract covering the purchase order.

- H. For 4 procurements, documentation to support compliance with the District's tax laws was not provided for review.
- I. For 9 procurements, there was no evidence that the District verified that the vendor was not suspended or debarred. However, we performed our own search and noted that none of the vendors tested were suspended or debarred.

CFDA #	Name	Sample Size	Samples with Exceptions	Total Exceptions	Exceptions by category
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	7	1	1	G=1
14.218	Community Development Block Grants	4	4	5	A=1; I=4
14.239	Home Investment Partnerships Program	4	3	7	B=1; C=1; E=1; H=1; I=3
84.027	Special Education Cluster	6	1	1	G=1
84.395	State Fiscal Stabilization Fund – Race to the Top	6	2	4	B=2; H=1; I=1
93.558, 93.714	Temporary Assistance for Needy Families (TANF)	5	1	2	A=1; B=1
93.917	HIV Care Formula Grants	6	4	9	B=3; D=1; F=2; H=2; I=1
	Total	38	16	29	

We also selected one (1) procurement executed by the Office of the Chief Financial Officer for the TANF program and noted the following:

- A. Documentation to support compliance with the District's tax laws was not provided for review.
- B. There was no evidence that the District verified that the vendor was not suspended or debarred. However, we performed our own search and noted that the vendor was not suspended or debarred.
- C. The sole source procurement justification was not based on the existence of only one (1) source for the required goods or services as required by the DCMR. We noted that the services being procured were to ensure continuity and avoid interruption of services until a long term contract could be put in place, which is an internal government circumstance.

Cause

The District did not maintain documentation supporting compliance with District procurement laws and regulations in accordance with their policies and procedures.

Effect

The District could not demonstrate full compliance with District procurement laws and regulations.

Recommendation

We recommend that the District strengthen their internal controls over procurement to ensure that they are compliant with the District procurement laws and regulations.

Related Noncompliance

Material noncompliance for Community Development Block Grants; Home Investment Partnerships Program; State Fiscal Stabilization Fund – Race to the Top; TANF; and HIV Care Formula Grants

Noncompliance for Special Education Cluster and the Special Supplemental Nutrition Program for Women, Infants and Children

Questioned Costs

None

Views of Responsible Officials

Office of Contracting and Procurement:

Management concurs with the findings. The effect of OCP's collaborative remediation action plans since FY2011, combined with leadership's emphasis of the importance of compliance, has resulted in a steady decline in the number of procurement findings. It is important to note the fiscal year 2014 Single Audit results substantiate that for the fourth consecutive year, there are no Questioned Costs. OCP is confident that with its on-going and improved Learning and Development programs, continuous improvements to its technical infrastructure, an organization-wide emphasis on accountability and diligent oversight, the number of procurement findings attributable to OCP and the agencies under its purview will continue their downward trend.

Office of the Chief Financial Officer:

The documents provided for the audit adhere to 27 DCMR, 2200.4 (f) and, 2212.1 to demonstrate that the contractor met compliance with the applicable District licensing and tax laws and regulations and not listed as debarred or suspended prior to award of the contract. The contract period was modified for continuation of the existing contract beyond the term. The Determination and Finding provided for the audit presented procurement justification for the extension of the contract in compliance with 27 DCMR, 2005.6(b) which states that the total of the base and option periods in a contract for services or goods shall not exceed five (5) years unless prior to the expiration of a contract, the Chief Procurement Officer or designee determines in writing that it is in the best interest of the District to extend the term beyond the total term specified in the contract and the contracting officer provides justification for using a sole source modification. Therefore, the OCFO does not agree with the finding.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-008
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Supplemental Nutrition Assistance Program Cluster (10.551, 10.561)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A 1.08d., states that management at a State and Local government entity is responsible for *"establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported..."*

According to 45 Code of Federal Regulations (CFR) Part 92.20(b) (2), Accounting records, "grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Condition

During our testwork over the 4th quarter SF-425 *Federal Financial Report*, we noted the report was not adequately reviewed. Specifically we noted that the report reflected that the District had expenditures of \$970,020 for administering the SNAP-Ed Nutrition Education and Obesity Prevention Grant Program. However, based on the supporting documentation provided, the expenditures should have been \$1,325,103 thus understating the report by \$355,083.

Cause

DHS does not have adequate policies, procedures and controls in place to ensure a thorough review of the financial reports is performed prior to submission to the U.S. Department of Agriculture.

Effect

Without performing thorough reviews over the information reported there is an increased risk that amounts reported to the Department of Agriculture are not correct.

Recommendation

We recommend that DHS strengthen its current policies, procedures and controls to ensure a proper review of the financial reports is performed prior to submission to the Department of Agriculture.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Department of Human Services (DHS) concurs with the finding. Ongoing DHS will ensure that the report and the relevant supporting documentation are reviewed by the Cluster Comptroller and the Agency Fiscal Officer before signature and submission.

<i>Finding Number</i>	2014-009
<i>Prior Year Finding Number</i>	2013-008
<i>Federal Program</i>	Supplemental Nutrition Assistance Program (10.551, 10.561)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Special Tests and Provisions – ADP System for SNAP
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A 1.08d., states that management at a State and Local government entity is responsible for *"establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported..."*

Per 7 CFR 277.18 (k), Access to the system and records states *"Access to the system in all aspects, including but not limited to design, development, and operation, including work performed by any source, and including cost records of contractors and subcontractors, shall be made available by the State agency to FNS or its authorized representatives at intervals as deemed necessary by FNS, in order to determine whether the conditions for approval are being met and to determine the efficiency, economy and effectiveness of the system."*

Condition

During testing over beneficiary eligibility for the Supplemental Nutrition Assistance Program (SNAP), we noted that the Department of Human Services was unable to provide sufficient documentation to support the eligibility determination for eight (8) out of sixty-five (65) samples. We determined that the District paid \$1,333 in federal awards during the sampled months related to those 8 SNAP beneficiaries. This amount represents 10% of the total amounts paid by the District in claims related to the 65 beneficiary payments sampled of \$13,553. The District paid a total of \$222,658,826 in beneficiary payments to all SNAP beneficiaries in fiscal year 2014.

Cause

The District did not consistently adhere to its established policies and procedures requiring it to maintain documentation supporting participant eligibility.

Effect

Without properly maintaining documentation to support eligibility determinations, ineligible beneficiaries may receive benefits under the SNAP grant and the District may make payments on behalf of those beneficiaries resulting in noncompliance with the eligibility requirements.

Recommendation

We recommend that the District follow its policies and procedures for maintaining case record documentation and improve its controls over monitoring compliance. We observed that the District is in the process of implementing a new automated eligibility system DCAS, which will help address the condition over time.

Related Noncompliance

Material noncompliance

Questioned Costs

Known: \$1,333

Views of Responsible Officials

Management concurs with the finding and recommendation.

DHS will purchase desktop scanners to allow for immediate scanning/capturing of documents/documentation relevant to participant eligibility. The scanned information will be loaded into the customer's record in DIMS.

The scanners will be placed in the Customer Waiting Area and Case Record Management Unit (CRMU). Caseworkers will have the responsibility for scanning documents upon receipt. The first phase of deployment for the scanners is scheduled to be implemented by June 30th, 2015, and will take place one Service Center at a time. This initiative is expected to remedy the finding of insufficient documentation and should decrease the time currently required to forward documents to the Case Record Management Unit (CRMU).

<i>Finding Number</i>	2014-010
<i>Prior Year Finding Number</i>	2013-007
<i>Federal Program</i>	Supplemental Nutrition Assistance Program Cluster (10.551, 10.561)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Special Tests and Provisions – EBT Reconciliation
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A 1.08d., states that management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported...*"

Condition

During our test of the design and implementation of internal controls over the management review of exception reports resulting from the interface of the Automated Client Eligibility Determination System (ACEDS) and the Electronic Benefits Transfer (EBT) system, we noted that DHS does not retain adequate documentation to support the review of the daily response files generated from the interface. DHS could not provide evidence of the daily response file review for two selected days (February 14, 2014 and March 10, 2014).

Cause

DHS does not have adequate policies and procedures in place to adequately address document retention relating to the review of the ACEDS to EBT interface.

Effect

Failure to review the daily response files from the interface increases the risk of errors in benefits processing.

Recommendation

We recommend that DHS formalize existing policies and procedures to address document retention.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

Management concurs with the finding and recommendation.

In October 2014, DHS Division of Information Systems (DIS) established a Control Report Log and process for sequentially tracking and reconciling the EBT Response Files, which are the reviewed and acted upon by DIS Management.

As of October 2014, DIS Management created and implemented a document retention policy that addresses document retention relating to the review of the ACEDS to EBT interface.

<i>Finding Number</i>	2014-011
<i>Prior Year Finding Number</i>	2013-010
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556 & 10.559)
<i>Federal Award Number</i>	1DC300302 (10/1/2013 – 9/30/2014)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Eligibility Reporting
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., audited management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

7 CFR 210.2 states:

“Child means—(a) a student of high school grade or under as determined by the State educational agency, who is enrolled in an educational unit of high school grade or under as described in paragraphs (a) and (b) of the definition of “School,” including students who are mentally or physically disabled as defined by the State and who are participating in a school program established for the mentally or physically disabled; or (b) a person under 21 chronological years of age who is enrolled in an institution or center as described in paragraph (c) of the definition of “School;” or (c) For purposes of reimbursement for meal supplements served in afterschool care programs, an individual enrolled in an afterschool care program operated by an eligible school who is 12 years of age or under, or in the case of children of migrant workers and children with disabilities, not more than 15 years of age.”

7 CFR 210.8 states:

“Claims for reimbursement: The school food authority shall establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the lunch counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced price and paid lunch counts against data which will assist in the identification of lunch counts in excess of the number of free, reduced price and paid lunches served each day to children eligible for such lunches; and a system for following up on those lunch counts which suggest the likelihood of lunch counting problems.”

Condition

We selected a sample 65 students receiving free or reduced meals in fiscal year 2014 to test DCPS' compliance with eligibility requirements. The sample of 65 consisted of 40 students who were determined to be eligible through the application process, and 25 students who were directly certified through participation in other federal assistance programs. During our testwork over the eligibility requirement for the Child Nutrition cluster, we noted deficiencies in DCPS' eligibility determination process. These deficiencies also affected DCPS' ability to report complete and accurate meal count claims for

reimbursement to the Office of the State Superintendent of Education (OSSE). Specifically, we noted the following:

- For two (2) students, per the student account history in WebSMARTT, the student was served a meal on a day that the students' attendance record documented them absent.
- For seven (7) students, the individual did not meet the definition of a 'child' as defined by 7 CFR section 210.2. However, the students were approved and received a free meal status in WebSMARTT. We verified no meals were charged to these students.
- For one (1) student, the student's application indicated that they did not wish to receive free or reduced meal benefits on their application. However, the student was approved and received a free meal status in WebSMARTT.
- For 1 of the 40 sample items tested, the number of individuals in the household was incorrectly calculated.

Cause

DCPS does not have fully effective internal controls over the eligibility determination process to ensure participants are accurately being assessed for free and reduced price lunch, and that meal count claims submitted for reimbursement include only claims for students who are eligible. Additionally, DCPS does not have adequate controls to ensure meals are not included in the meal counts for absent children.

Effect

DCPS did not comply with the eligibility and reporting requirements of the Child Nutrition cluster.

Recommendation

We recommend DCPS establish adequate controls over eligibility and reporting that ensure compliance with the requirements of the Child Nutrition cluster. This includes (1) ensuring that the eligibility determination is sufficiently reviewed such that all errors in the determination process are detected; (2) data corrections are properly recorded in WebSMARTT; (3) Additional controls at the point of sale to ensure that free and reduced price meals are only served to students in attendance; and (4) Additional edit checks within the WebSMARTT application to prevent inaccurate system eligibility determinations.

Related Noncompliance

Material noncompliance

Questioned Costs

Known: \$65

Views of Responsible Officials

The existing policies and procedures over daily accountability outline the controls at the point of sale to ensure that free and reduced priced meals are served to students in attendance. This includes a student entering their student ID number or scanning their meal card in addition to verbally giving their name.

DCPS will work with elementary schools to enforce this system to ensure accuracy. DCPS collects FARM applications for all students attending Roosevelt S.T.A.Y. High School. Roosevelt S.T.A.Y. High School

offers high academic and career/technical programs that will lead to a high school diploma or vocational certificate. Only 2% of the enrollment at Roosevelt S.T.A.Y. is under the age of 17 years. Therefore DCPS will receive a large number of FARM applications for students over the age of 18.

Moving forward DCPS will not process/enter any FARM applications from Roosevelt S.T.A.Y. if the birthdate of the student is over the age of 18.

The application mentioned above with inaccurate student edibility was due to an online application software issue. DCPS became aware of this issue during school year 2013-2014 and DCPS chose to discontinue services with the online application software provider due to this. Therefore for school year 2014 -2015 DCPS has been with a new online application software provider that has been tested to ensure this error has not occurred and has been fully corrected.

The application mentioned above for incorrect household size was an online application. The student is listed twice on the online application therefore the online software counted the household size as 2. DCPS chose to discontinue services with the online application software provider due to this. Therefore for school year 2014 -2015 DCPS has been with a new online application software provider that has been tested to ensure this error has not occurred and has been fully corrected.

DCPS does not agree with the likely questioned costs listed. Costs extrapolated this way are based on assumptions of very small selection of a sample size of 65. The questioned costs in relation to the amount of reimbursements equates to 0.00029%, which DCPS believes is well within reasonable threshold of error.

The existing policies and procedures over daily accountability outline the controls at the point of sale to ensure that free and reduced priced meals are served to students in attendance.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-012
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556 & 10.559)
<i>Federal Award Number</i>	1DC300302 (10/1/2013 – 9/30/2014)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., audited management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

68 FR 38401 requires entities expending \$500,000 or more in Federal awards during the fiscal year are required to have an audit performed in accordance with OMB Circular A-133.

Condition

During our subrecipient monitoring testwork we noted the following:

- For 4 of the 16 subrecipients tested, the Exemption Certification provided was collected from the subrecipient after request from KPMG. This receipt and verification of the subrecipient not requiring an A-133 audit was not timely.
- For 1 of the 16 subrecipients tested, evidence could not be provided the subrecipient was not required to have an A-133 audit performed for the most recent fiscal year. Additionally, no support in regards to a review of the subrecipient's A-133 audit was provided.

Cause

OSSE does not have effective internal controls over the monitoring of subrecipients' A-133 audits.

Effect

OSSE did not comply with the requirements related to the A-133 audit review of subrecipient for the Child Nutrition Cluster.

Recommendation

We recommend OSSE establish adequate controls over subrecipient monitoring. This includes ensuring all subrecipients are meeting the A-133 audit requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Subrecipient Monitoring Exception 1:

DC OSSE provided timely documentation confirming that the 4 private schools did not meet the \$500,000 required threshold in FY 14. The OMB A-133 circular requires pass-through entities to ensure that subrecipients expending \$500,000 or more have met the audit requirements for that year. There is no express requirement for an Exemption Certification signed by the subrecipient. The Exemption Certification is an internal document created by DC OSSE for Public Charter Schools (LEAs) and Community Based Organizations (CBOs) to certify that the requirement for an audit does not apply because the entity does not meet the \$500,000 threshold. DC OSSE does not have an internal policy or procedure requiring completion of OSSE's Exemption Certification by private schools. DC OSSE ensured that the 4 private schools did not meet the \$500,000 threshold by reviewing their application assurances, reviewing the Federal Audit Clearinghouse (FAC) for submission of an audit, and conducting onsite monitoring. At the auditor's insistence for an Exemption Certification, DC OSSE requested and obtained Exemption Certificates from these private schools and submitted them to the auditor, thus responding to the request. This led the KPMG auditor to then claim that the certification and verification was collected after it was requested by KPMG and thus was not timely. The auditor chose to disregard that DC OSSE obtained the Exemption Certification at his request, though unnecessary, as subsequent proof that OSSE's internal controls regarding the private schools' assurances, FAC verification, and onsite monitoring complied with OMB A-133 audit subrecipient requirements.

Subrecipient Monitoring Exception 2:

Similarly, DC OSSE provided timely documentation confirming that the 5th private school did not meet the \$500,000 required threshold in fiscal year 2014. DC OSSE received the application assurance confirmation from this private school that it did not require an audit to be performed for fiscal year 2014. DC OSSE checked the Federal Audit Clearinghouse (FAC) to confirm that no audit for fiscal year 2014 had been submitted, and also conducted onsite monitoring. OSSE does not have an internal policy or procedure requiring completion of OSSE's Exemption Certification by private schools. At the auditor's insistence for an Exemption Certification, DC OSSE requested an Exemption Certificate from this private school, but the private school did not provide the Exemption Certification until after the deadline imposed by KPMG, and it was sent to the auditor who did not acknowledge receipt. The KPMG auditor then claimed that the certification and verification could not be provided to show that this private school was not required to have an A-133 audit. The auditor chose to disregard that DC OSSE obtained and provided the Exemption Certification as subsequent additional proof that OSSE's internal controls regarding the private school's assurance, FAC verification, and onsite monitoring complied with OMB A-133 audit subrecipient requirements.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-013
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556 & 10.559)
<i>Federal Award Number</i>	1DC300302 (10/1/2013 – 9/30/2014)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP)
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., audited management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

7 CFR 245.6a(d)(2) states:

Lowered non-response rate. Any local educational agency is eligible to use one of the alternative sample sizes in paragraph (c)(4) of this section for any school year when the non-response rate for the preceding school year is less than twenty percent.

Condition

During our testwork for Special Tests and Provisions – Verification of Free and Reduced Price Applications (Verification) we noted DCPS elected an alternative sample size option, however, DCPS had a non-response rate of 28.9% in the preceding school year which is in excess of the allowable rate of less than 20% to use the alternative sample size option.

Cause

DCPS does not have effective internal controls over the verification process to ensure the appropriate sample size option is selected.

Effect

DCPS did not comply with the verification requirements of the Child Nutrition cluster.

Recommendation

We recommend DCPS establish adequate controls over verification that ensure compliance with the requirements of the Child Nutrition cluster. This includes ensuring the appropriate sample size option is selected for the verification procedures.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS had initially believed that it was compliant with the Verification requirement as it is directed by the State Agency (SA) annually as to which sample size should be verified. In the year 2014-2015, DCPS had communicated with the SA that a larger sample size was to be tested, but was then directed by the SA to reduce the size to "Alternate One (Lesser of 3% of 3,000) selected randomly".

The finding above recognizes that an Alternative Method was utilized as it was for several years. Per FNS requirements: "Each State agency must establish a procedure for LEAs to designate use of an alternate sample size. The State agency may also establish criteria for reviewing and approving the use of an alternate sample size, including deadlines for submissions". (p.84, <http://www.fns.usda.gov/sites/default/files/cn/EliMan.pdf>). DCPS believed this procedure was being enforced in alignment with the regulation. As a result of the lengthy precedence in the process employed and guidance expected under the authority of the SA, DCPS had no choice but to comply. It is also important for DCPS to note that Verification testing is an essential part of the annual audit, and DCPS has been found to be in compliance with its processes on each occasion.

In light of this finding, however, DCPS will comply with the §245.6 under the general requirements rather than the Alternative Method that had been previously administered during the upcoming 2015/2016 school year.

<i>Finding Number</i>	2014-014
<i>Prior Year Finding Number</i>	2013-014
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (10.557)
<i>Federal Award Number</i>	14141DC700W2001 (10/1/13-9/30/14) 14141DC700W1003 (10/1/13-9/30/14) 14141DC700W1006 (10/1/13-9/30/14) 14141DC700W5003 (10/1/13-9/30/14) 14141DC700W5005 (10/1/13-9/30/14) 14141DC700W5413 (10/1/13-9/30/14)
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 170 requires obligations to be reported no later than the end of the month following the month for the obligation. For example, if a subaward is made on October 2, 2010, the subaward information must be reported by no later than November 30, 2010. Also, if a state makes a subaward under a grant or cooperative agreement to an entity other than an individual who is a natural person, the subaward is \$25,000 or more, and no exemptions apply, the State would need to report the subaward.

Office of Management and Budget Circular No. A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our testwork over all four subawards made during fiscal year 2014, we noted DOH did not report the subawards in the Federal Funding Accountability Transparency Subaward Reporting System (FSRS) by the required due date. Specifically, we noted that three of the reports were due November 30, 2013 and one report was due on December 31, 2013; however, none of the reports were submitted until January 31, 2014.

Additionally, for sample #4, we noted that the total amount of the subaward reported in FSRS was \$1,360,236; however, the total amount per the grant agreement was \$1,400,000, resulting in a difference of \$39,764.

Cause

DOH did not have a process in place to track the submission of the FFATA reports in FSRS to ensure they were filed timely. Additionally, management did not have a full understanding of the subaward key data elements required to be reported in FSRS as management reported the amount of the purchase order for each subgrantee and not the award amount.

Effect

DOH did not comply with the FFATA reporting requirements for the WIC program in fiscal year 2014.

Recommendation

We recommend that management:

1. Implement a process to track the submission of the FFATA reports to ensure they are filed timely; and
2. Provide training to those individuals responsible for the preparation and review of the FFATA reports to ensure everyone has a full understanding of the key data elements required to be reported.

Related Noncompliance

Noncompliance

Questions Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding. DOH will seek to implement measures to increase the oversight and efficiency of the existing FFATA reporting process, given conditions and recommendations cited in this report. While systemic (FSRS) technical issues were the source of reporting delays for the WIC subawards, DOH concurs that the sole exception of underreporting is due to interpretation by DOH staff of data required to document the obligation that is to be reported for each award. The amount of the purchase order for fiscal year 2014 was reported, rather than the amount of the total award. DOH Office of Grants Management will be responsible for a review of the federal requirements and update the DOH FFATA reporting procedures to ensure that the obligations will be reported properly and on-time.

<i>Finding Number</i>	2014-015
<i>Prior Year Finding Number</i>	2013-015
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218)
<i>Federal Award Number</i>	B11-MC-11-0001; B12-MC-11-0001; B13-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

OMB Circular A-87 states the following:

“(4) 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 which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

Condition

The CDBG program had total payroll expenditures of \$2,679,746 for fiscal year 2014. We selected 40 payroll expenditures for testing that totaled \$30,901. During our testwork, we noted the following:

- For 19 out of 40 expenditures selected for testing, the total employee hours charged to the program per the PeopleSoft Human Resources/Payroll System (PeopleSoft) 485 report was more than the time reported on the employee's timesheet.
- For 10 out of 40 expenditures selected for testing, we could not determine if the payroll expenditure reflected the actual hours worked because the related employees' timesheets did not reflect the actual distribution of the time worked on multiple federal programs.

Cause

DHCD continued to use the PeopleSoft 485 report to charge payroll expenditures to the program. The PeopleSoft 485 report reflects the allocation of payroll expenditures for employees who worked on multiple federal programs, which is based on predetermined percentages entered into the PeopleSoft at the beginning of the fiscal year. These percentages were based on management's estimate of the hours they expected each employee to work on their respective programs, which was submitted as part of their grant application. However, management did not perform a periodic comparison of the employees' estimated hours per the PeopleSoft 485 report to the actual hours incurred, and make any necessary adjustment as required by OMB Circular A-87 B8 (h).

Additionally, DHCD has been in the process of implementing "combo codes" in PeopleSoft that would allow employees to track their time across multiple federal programs. However, the combo codes had not been fully implemented during fiscal year 2014. Further, DHCD did not develop an interim process that employees could use to track their time across multiple federal programs until the combo codes were fully implemented. As a result, certain employees who worked on multiple federal programs only reported their time in total.

Effect

Payroll costs charged to the CDBG program were not supported in accordance with OMB Circular A-87 effort reporting requirements. As such, DHCD was noncompliant with the allowable activities compliance requirement.

Recommendation

We recommend that management:

- Implement policies and procedures to periodically compare employees' estimated hours per the PeopleSoft 485 report to the actual hours incurred, and make any necessary adjustment as required by OMB Circular A-87 B8 (h); and
- Continues with its plans to fully implement combo codes in PeopleSoft and develop procedures in the interim to track employees' time and effort. In addition, management should develop policies and procedures to ensure employees are properly tracking their time to multiple cost objectives once the new process is implemented.

Related Noncompliance

Material noncompliance

Questioned Costs

The questioned costs related to the first bullet in the condition above were \$5,106. Questioned costs could not be determined for the second bullet above.

Views of Responsible Officials

Management concurs with the finding.

The difference between 485 report and time on the timesheet was because employees used combo codes to charge regular hours worked, but no combo codes are used to record annual leave, sick leave and/or holiday hours. Annual leave, sick leave and holiday hours are charged to the grant based on the allocation percentages set in the PeopleSoft. Effective July 2014, employees were instructed to use non-federal grant combo codes to record regular time. With regards to no combo codes being used in the timesheets, we will send periodic reminders to program managers asking them to ensure that combo codes are used to report time worked prior to timesheet approval.

<i>Finding Number</i>	2014-016
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218)
<i>Federal Award Number</i>	B11-MC-11-0001; B12-MC-11-0001; B13-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

Per CFR 24 § 85.21 (f), Effect of program income, refunds, and audit recoveries on payment:

“(1) Grantees and subgrantees shall disburse repayments to and interest earned on a revolving fund before requesting additional cash payments for the same activity.

(2) Except as provided in paragraph (f)(1) of this section, grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.”

Per CFR 31 § 205.26 (b), Requirements for Preparing Annual Report, “A state must submit a description and supporting documentation for liability claims greater than \$5,000. This information must include the following: (1) The amount of funds requested; (2) The date the funds were requested; (3) The date the funds were paid out for Federal assistance program purposes; (4) The date the funds were received by the State; and (5) The date of award.”

Condition

During our testwork over the cash management requirement for CDBG, we noted DHCD drew down \$9,469,678 of entitlement funds during fiscal year 2014 when \$8,522,496 of program income was available.

Additionally, we noted the following errors in the annual CMIA report:

- The amount reported for program income on the CMIA report was \$2,705,106 higher than the supporting documentation;
- The amount reported for entitlement funds on the CMIA report was \$2,705,106 lower than the supporting documentation; and
- The “date funds requested” date in the CMIA report captured the date the related program income was received by the District and not the date the funds were actually drawn down in the IDIS system therefore causing an inaccurate calculation of interest. We noted the total calculated interest for fiscal year 2014 was \$169.

Cause

DHCD did not report the receipt of program income into HUD's Integrated Disbursement Information System (IDIS) until the end of the fiscal year. As a result, entitlement grant funds were used instead of available program when DHCD requested the cash draws from IDIS.

Additionally, a decentralized process exists between finance and program management regarding the recording of program income and entitlement grants. Specifically, DHCD did not have policies and procedures in place to reconcile the cash management activities regarding the recording of program income and entitlement grants to program management records.

Effect

Without policies and procedures in place to timely report the receipt of program income, DHCD is not able to ensure that program income is exhausted prior to drawing on entitlement funds.

Without an effective process for preparing the CMIA report, management is unable to ensure completeness and accuracy of the CMIA report.

Additionally, DHCD is noncompliant with the cash management compliance requirement.

Recommendation

We recommend that DHCD:

1. Implement policies and procedures to timely report program income collected during the fiscal year in the IDIS system; and
2. Implement a process to reconcile what is being recorded by finance and the activities being performed by program management.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Regarding the amount reported in the CMIA report for program and entitlement income, the total amount reported was correct; however, there was a misallocation between the two income categories by the variances cited.

<i>Finding Number</i>	2014-017
<i>Prior Year Finding Number</i>	2013-016
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218)
<i>Federal Award Number</i>	B11-MC-11-0001; B12-MC-11-0001; B13-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Davis-Bacon Act
<i>Finding Related to ARRA</i>	No

Criteria

Per 29 CFR 5.5(a)(3), "...the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The required weekly payroll information may be submitted in any form desired. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors."

Additionally, 29 CFR 5.5(a)(3) states, "...The Federal agency providing funding or the contracting agency in a financially-assisted construction contract has the primary, day-to-day responsibility for administering and enforcing the prevailing wage rate requirements in covered contracts. They are responsible for ensuring that the contractor maintains appropriate records by performing activities, such as:

- a) Verifying that covered contracts have incorporated the required Davis-Bacon clauses and the applicable wage determination(s);
- b) Verifying that the Davis-Bacon notice and the applicable wage determination(s) are displayed at the site of the work in a conspicuous location in clear view of everyone;
- c) Reviewing certified payrolls in a timely manner;
- d) Conducting employee interviews;
- e) Conducting investigations;
- f) Forwarding refusal to pay and/or debarment consideration cases to the USDOL Wage and Hour Division for appropriate action; and
- g) Submitting enforcement reports and semi-annual enforcement reports to the USDOL Wage and Hour Division.

When a contractor is continually late with payroll submittals, the contracting agency must send the prime contractor a written notice restating the contract requirements for submitting the weekly payroll statements. If the contractor continues to submit the payroll statements late, the following actions can be taken:

- a) Withhold payments until the payroll submittal requirements are met;
- b) Terminate the contract; or
- c) Refer the violating contractor to the USDOL for possible legal prosecution and/or debarment."

The OMB Circular A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our testwork over the CDBG program for fiscal year 2014, we noted that DHCD did not have sufficient controls in place to ensure full compliance with the Davis-Bacon Act. Specifically, we noted the following:

- For 8 of the 65 certified payrolls tested, both the receipt date and the review date of the certified payrolls were not documented; therefore, we could not determine the timeliness of receipt or review of the certified payroll.
- For 32 of the 65 certified payrolls tested, DHCD could not provide evidence for follow-up with the contractor when the certified payrolls or Statement of Compliance for no work performed was received by DHCD more than 15 days after the scheduled payroll week ended date. The following table reflects the number of days the certified payrolls were received after the payroll week ended date:

<u># of Days Late</u>	<u># of Exceptions</u>
15 – 29 days	9
30 - 44 days	5
45 - 59 days	4
60 - 89 days	3
90 – 119 days	2
>120 days	9

- For 11 of the 65 certified payrolls tested, there was no evidence of review.
- For 6 of the 65 certified payrolls tested, we noted the certified payroll or statement of compliance for no work performed was not reviewed timely (i.e., within 30 days) by program personnel.

<u># of Days</u>	<u>Total</u>
31-59 days	4
60-89 days	1
>89 days	1

Cause

DHCD did not have policies and procedures in place to monitor instances when the required payrolls were not received by the contractors or to perform the necessary follow up for contractors who were continually late with payroll submissions. Additionally, DHCD did not have policies and procedures in place to monitor if the reviews of payroll submissions were being performed timely.

Effect

Without effective and adequate internal controls, DHCD is not able to ensure that contractors and subcontractors are complying with the Davis-Bacon Act requirements. Further, DHCD was not in compliance with the Davis-Bacon Act compliance requirements.

Recommendation

We recommend DHCD develop and implement policies and procedures:

1. To monitor payroll submissions and to perform the necessary follow-up or corrective action when the certified payrolls or statement of compliance for no work performed are not submitted timely;
2. That requires management to document the date of receipt and review of the certified payrolls or statement of compliance for no work performed, and
3. To monitor the reviews of payroll submissions to ensure they are performed timely.

Related noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

KPMG:

"For 32 of the 65 certified payrolls tested, DHCD could not provide evidence for follow-up with the contractor when the certified payrolls or Statement of Compliance for no work performed was received by DHCD more than 15 days after the scheduled payroll week ended date. The following table reflects the number of days the certified payrolls were received after the payroll week ended date."

RESPONSE:

DHCD has instituted the following policies and procedures as a results of the 2013 Audit findings released to OPM in June 2014. These policies and procedures are effective as of 2015.

- Sending emails and transmittals notifications that specifically address missing CP's and late submissions. Reminder letters are sent out to GC's when issues are not resolved within 10 days.
- At 50% of project construction completion, OPM/CS & CCI's met with Recipient and GC to discuss outstanding violations and advise that payments will be withheld if compliance issues are not resolved within 10 days.
- Creation of "Compliance Monitoring Excel Workbook" to house data and documentation on CP submissions and compliance. The Workbook also includes a grading system of Satisfactory, Unsatisfactory, or Unsatisfactory with Comments.

KPMG:

"For 6 of the 65 certified payrolls tested, we noted the certified payroll or statement of compliance for no work performed was not reviewed timely (i.e., within 30 days) by program personnel."

RESPONSE:

Hard copy CP's received at DHCD are received through the DAS Division (Department of Administrative Services) where the package is date stamped and routed to OPM for signature of receipt. Effective October 2015 all CP's received from contractors will be date stamped in the Office of Program Monitoring.

KPMG:

"For 8 of the 65 certified payrolls tested both the receipt date and the review date of the certified payrolls were not documented; therefore we could not determine the timeliness of receipt or review of the certified payroll."

RESPONSE:

On occasion GC would submit CP package and Payment Request Forms to Project Manager. The Project Manager will remove CP's and give to Contract Specialists or CCI staff person responsible for reviewing CP's. When this happens, the dated envelope or delivery package will not be included with the CP's so the CCI staff cannot have proof of exactly what the CP's were received. Effective October 2015 OPM staff will only accept CP's directly from the Contractor.

<i>Finding Number</i>	2014-018
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218)
<i>Federal Award Number</i>	B11-MC-11-0001; B12-MC-11-0001; B13-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

24 CFR 570.201 states, “The amount of CDBG funds obligated during the program year for public services must not exceed 15 percent of the grant amount received for that year plus 15 percent of the program income it received during the preceding program year...”.

Condition

During our testwork, we noted DHCD expenditures for public services exceeded the earmark limit by \$291,742 or .93%.

Cause

DHCD did not make any necessary adjustments, such as using local funds for the related expenditures, when it was determined that the Agency exceeded the limit for public services.

Effect

DHCD was not in compliance with the earmarking compliance requirement for the program year.

Recommendation

We recommend that management make the necessary adjustments when their budget to actual review indicates the earmarking requirements would be exceeded.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the finding. Management will review its program funding allocation methodology going forward, to ensure compliance with the earmarking requirement.

<i>Finding Number</i>	2014-019
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218)
<i>Federal Award Number</i>	B11-MC-11-0001; B12-MC-11-0001; B13-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

24 CFR 85.41 states that “Grantees will use the FFR to report the status of funds for all non-construction grants, for construction grants or grants which include both construction and non-construction activities as determined by HUD.”

Per the instructions for the Federal Financial Report (FFR) (SF-425/SF-425A), “Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.”

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During our testing of the *Federal Financial Report (FFR) (SF-425)*, for the quarter ended September 30, 2014, we noted the total cash receipts reported on line 10a was overstated by \$1.8 million.

Additionally, we noted documentation could not be provided to support the amount of actual cash disbursements reported of \$1,828,046 and \$12,267,626 for the periods ended March 31, 2014 and September 30, 2014, respectively.

Cause

DHCD erroneously included a \$1.8 million cash draw that was ultimately canceled by the Agency as part of the total cash receipts and managements review was not sufficient to identify the error before the SF-425 was submitted.

Additionally, we noted management reports the amount of cash draws as the amount of cash disbursements when completing the SF-425 reports; however, per the Federal Financial Report (FFR) instructions, “disbursements are the sum of actual cash disbursements (of Federally authorized funds) for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments (of Federally authorized funds) made to subrecipients and contractors”.

Effect

DHCD did not accurately reflect its cash status for the reporting periods ended March 31, 2014 and September 30, 2014. As such, DHCD is noncompliant with the Reporting requirements.

Recommendation

We recommend that the program management:

1. Provide training to individuals reviewing the quarterly SF-425s to ensure they are properly reviewing the report and supporting documentation at a sufficient level of detail to identify errors in a timely manner; and
2. Complete the SF-425 in accordance with the Federal Financial Report (FFR) instructions or request documentation from HUD that allows DHCD to deviate from these instructions.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management does not concur with the finding.

With regard to the \$1.8 million KPMG claimed was overstated, DHCD processed a \$1.5M drawdown on September 2014 in the HUD IDIS system, but proceeded to cancel the transaction on the same day. HUD who is responsible for approving and disapproving all DHCD draw transactions however, did not cancel the draw but instead processed and approved the transaction as completed; thereby reducing DHCD's Letter of Credit (LOC) by \$1.8M.

Since HUD approved the draw transaction, it was only appropriate that the fiscal year 2014 4th Qtr. SF-425 report be prepared to account for the \$1.8M draw in anticipation of receiving the funds from HUD. HUD finally cancelled the \$1.8M draw transaction in December 2014, and restored the funds back to DHCD's LOC. DHCD then prepared its FY 2015 First Qtr. SF-425 report accordingly to capture the \$1.8M HUD adjustment.

Additionally, DHCD provided KPMG with HUD IDIS Drawdown documentation and SOAR expenditures to support the cash disbursements reported of \$1,828,046 and \$12,267,626 for the periods ended March 31, 2014 and September 30, 2014, respectively.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-020
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218)
<i>Federal Award Number</i>	B11-MC-11-0001; B12-MC-11-0001; B13-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

Per the *Integrated Disbursement and Information System (IDIS)* (OMB No. 2506-0077) – “Grantees may include reports generated by IDIS as part of their annual performance and evaluation report that must be submitted for the CDBG Entitlement Program 90 days after the end of a grantee’s program

(1) C04PR03 – Activity Summary Report

(2) C04PR26 – CDBG Financial Summary”.

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During our testing over the reporting requirements for CDBG, we noted that the amount reported for program income on the CDBG Financial Summary report (PR26 report) exceeded the amount in the general ledger by \$946,217.

Cause

DHCD did not report the receipt of program income into HUD’s Integrated Disbursement Information System (IDIS) timely which resulted in \$946,217 of fiscal year 2013 revenue being reported in the PR26 report that was submitted for fiscal year 2014. Additionally, DHCD did not have policies and procedures in place to timely reconcile the PR26 report to the general ledger.

Effect

Without effective controls in place to reconcile the data in the PR26 report, there is an increased risk that the information submitted to HUD may not be complete and accurate.

Recommendation

We recommend that DHCD management develop and implement policies and procedures to timely reconcile the data in the PR26 report to the general ledger to ensure it is complete and accurate. The policies and procedures should also require timely management review of the reconciliation once it is completed.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management does not agree with the condition of this finding. The program income revenue was clearly and properly recorded in the SOAR general ledger. Specific transactional documentation was provided upon request, along with explanation as to the source of the revenue.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-021
<i>Prior Year Finding Number</i>	2013-017
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218)
<i>Federal Award #</i>	B11-MC-11-0001; B12-MC-11-0001; B13-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR 170 requires "...obligations to be reported in the FSRS no later than the end of the month following the month of the obligation. For example, if a subaward is made on October 2, 2010, the subaward information must be reported by no later than November 30, 2010. Also, if a state makes a subaward under a grant or cooperative agreement to an entity other than an individual who is a natural person, the subaward is \$25,000 or more, and no exemptions apply, the State would need to report the subaward."

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During our walkthrough of the reporting process, we noted that DHCD could not provide support to evidence that the FFATA reports were reviewed by someone other than the preparer prior to being submitted to HUD through the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Additionally, DHCD could not demonstrate that the required FFATA award information was input into the FSRS.

Cause

DHCD did not have policies and procedures in place to require the FFATA reports be reviewed by someone other than the preparer to ensure the completeness and accuracy of the reports.

Additionally, DHCD did not have a documented process in place for verifying that the FFATA reports for fiscal year 2014 were submitted to HUD and made available to the public.

Effect

Without effective policies and procedures in place, DHCD is unable to ensure completeness and accuracy of the FFATA reports and is unable to ensure that the FFATA reports are submitted to HUD and made available to the public.

Additionally, DHCD was noncompliant with the reporting compliance requirement.

Recommendation

We recommend that DHCD develop policies and procedures that require management to perform a quality control review of the FFATA reports prior to submission, and to verify that the FFATA reports are submitted to HUD and made available to the public.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the finding. Management will review this finding and going forward will ensure supervisory review.

Finding Number	2014-022
Prior Year Finding Number	2013-018
Federal Program	Community Development Block Grants (CDBG) (CFDA 14.218)
Federal Award #	B11-MC-11-0001; B12-MC-11-0001; B13-MC-11-0001
Federal Agency	U.S. Department of Housing and Urban Development (HUD)
District Department	Department of Housing and Community Development (DHCD)
Compliance Requirement	Subrecipient Monitoring
Finding Related to ARRA	No

Criteria

2 CFR 25.110 and Appendix A to 2 CFR part 25 states that "...in addition to any programmatic eligibility criteria, a pass-through entity is responsible for determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award."

24 CFR 570.489 states that "...The standards described in this section apply to real property within the unit of general local government's control (including activities undertaken by subrecipients) which was acquired or improved in whole or in part using CDBG funds in excess of the threshold for small purchase procurement (24 CFR 85.36, "Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments"). These standards shall apply from the date CDBG funds are first spent for the property until five years after closeout of the unit of general local government's grant. (1) A unit of general local governments may not change the use or planned use of any such property (including the beneficiaries of such use) from that for which the acquisition or improvement was made, unless the unit of general local government provides affected citizens with reasonable notice of and opportunity to comment on any proposed change..."

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

The CDBG program had \$5,772,553 in subrecipient payments for fiscal year 2014. We selected a sample of nine subrecipients for testing that had \$3,905,163 in total payments during the fiscal year and noted the following:

- For all nine subrecipients, DHCD did not include all of the required award information in the grant agreement. Specifically, we noted the following information was not included: CFDA Number, Federal Award Identification Number (FAIN), Federal Award Date, Subrecipient's DUNS number, Amount of Federal Funds Obligated, Total Amount of the Federal Award and the Name of the Federal awarding agency.
- For all nine subrecipients, DHCD did not provide supporting documentation evidencing that the subrecipient provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or before award.

Additionally, during our walkthrough, we noted that monitoring activities were not performed by DHCD to determine if subrecipients had changed the use or planned use of property acquired with any CDBG funding.

Cause

DHCD did not perform a sufficient review regarding management's review of the grant agreements for completeness and accuracy of the required awarding information. Additionally, based on discussion with management, we noted that DHCD did not believe a Dun and Bradstreet Data Universal Numbering System (DUNS) number was required because the subrecipient received a Certificate of Clean Hands under the Clean Hands Law (DC Official Code §§47-2861 through 47-2866).

Further, management informed us that they did not believe DHCD had control over the real property held by subrecipients, which is why DHCD did not have policies and procedures in place that required management to monitor subrecipients to determine if the use or planned use of property had changed. However, as noted in 24 CFR 570.489, property within the unit of general local government's control includes those activities undertaken by subrecipients.

Effect

Without effective monitoring controls, DHCD is not able to ensure that subrecipients are complying with the grant requirements.

Additionally, DHCD is noncompliant with the Subrecipient Monitoring compliance requirement.

Recommendation

We recommend that DHCD:

1. Strengthen their controls to ensure that the required award information is contained in the grant agreements;
2. Develop and implement a process to determine whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award; and
3. Develop and implement a process to monitor subrecipients to identify properties for which the use or planned use of the property has changed, and for those properties identified take the appropriate corrective actions required by the regulations.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the findings. The audit findings from fiscal year 2013 were issued in mid-year 2014, when the grant awards for fiscal year 2014 were already executed. Going forward in fiscal year 2015, the issues have been mitigated.

<i>Finding Number</i>	2014-023
<i>Prior Year Finding Number</i>	2013-019
<i>Federal Program</i>	HOME Investment Partnerships Program (14.239)
<i>Federal Award Number</i>	M11-SG-11-0100; M12-SG-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

OMB Circular A-87 states the following:

“(4) 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 which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

Condition

The HOME program had total payroll expenditures of \$1,646,956 for fiscal year 2014. We selected 40 transactions for testing with total expenditures of \$31,674. During our testwork, we noted the following:

- For 12 out of 40 expenditures selected for testing, the total employee hours charged to the program per the PeopleSoft Human Resources/Payroll System (PeopleSoft) 485 report was more than the time reported on the employee's timesheet.
- For 12 out of 40 expenditures selected for testing, we could not determine if the payroll expenditure reflected the actual hours worked because the related employees' timesheets did not reflect the actual distribution of the time worked on multiple federal programs.

Cause

DHCD continued to use the PeopleSoft 485 report to charge payroll expenditures to the program. The PeopleSoft 485 report reflects the allocation of payroll expenditures for employees who worked on multiple federal programs, which is based on predetermined percentages entered into the PeopleSoft at the beginning of the fiscal year. These percentages were based on management's estimate of the hours they expected each employee to work on their respective programs, which was submitted as part of their grant application. However, management did not perform a periodic comparison of the employees' estimated hours per the PeopleSoft 485 report to the actual hours incurred, and make any necessary adjustment as required by OMB Circular A-87 B8 (h).

Additionally, DHCD has been in the process of implementing "combo codes" in PeopleSoft that would allow employees to track their time across multiple federal programs. However, the combo codes had not been fully implemented during fiscal year 2014. Further, DHCD did not develop an interim process that employees could use to track their time across multiple federal programs until the combo codes were fully implemented. As a result, certain employees who worked on multiple federal programs only reported their time in total.

Effect

Payroll costs charged to the HOME program were not supported in accordance with OMB Circular A-87 effort reporting requirements. As such, DHCD was noncompliant with the allowable activities compliance requirement.

Recommendation

We recommend that management:

- Implement policies and procedures to periodically compare employees' estimated hours per the PeopleSoft 485 report to the actual hours incurred, and make any necessary adjustment as required by OMB Circular A-87 B8 (h); and
- Continues with its plans to fully implement combo codes in PeopleSoft and develop procedures in the interim to track employees' time and effort. In addition, management should develop policies and procedures to ensure employees are properly tracking their time to multiple cost objectives once the new process is implemented.

Related Noncompliance

Material noncompliance

Questioned Costs

The questioned costs related to the first bullet in the condition above were \$2,590. Questioned costs could not be determined for the second bullet above.

Views of Responsible Officials

Management concurs with the finding.

The difference between 485 report and time on the timesheet was because employees used combo codes to charge regular hours worked, but no combo codes are used to record annual leave, sick leave and/or holiday hours. Annual leave, sick leave and holiday hours are charged to the grant based on the allocation percentages set in the PeopleSoft. Effective July 2014, employees were instructed to use non-federal grant combo codes to record regular time. With regards to no combo codes being used in the timesheet, we will send periodic reminders to program managers asking them to ensure that combo codes are used to report time worked prior to timesheet approval.

<i>Finding Number</i>	2014-024
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnerships Program (14.239)
<i>Federal Award Number</i>	M12-SG-11-0100; M13-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

Per CFR 24 § 85.21 (f), Effect of program income, refunds, and audit recoveries on payment:

“(1) Grantees and subgrantees shall disburse repayments to and interest earned on a revolving fund before requesting additional cash payments for the same activity.

(2) Except as provided in paragraph (f)(1) of this section, grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.”

Condition

During our testwork over the cash management requirement for HOME, we noted DHCD drew down \$421,099 of entitlement funds during fiscal year 2014 when \$763,916 of program income was available.

Cause

DHCD did not report the receipt of program income into HUD’s Integrated Disbursement Information System (IDIS) timely. As a result, entitlement grant funds were used instead of available program when DHCD requested the cash draws from IDIS.

Effect

Without policies and procedures in place to timely report the receipt of program income, DHCD is not able to ensure that program income is exhausted prior to drawing on entitlement funds.

Additionally, DHCD is noncompliant with the cash management compliance requirement.

Recommendation

We recommend that DHCD implement policies and procedures to timely report program income collected during the fiscal year in the IDIS system.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the finding. Management will ensure going forward that program income receipt is reported timely into HUD's Integrated Disbursement Information System (IDIS).

<i>Finding Number</i>	2014-025
<i>Prior Year Finding Number</i>	2013-020
<i>Federal Program</i>	Home Investment Partnerships Program (14.239)
<i>Federal Award Number</i>	M12-SG-11-0100; M13-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Davis-Bacon Act
<i>Finding Related to ARRA</i>	No

Criteria

Per 29 CFR 5.5(a)(3), "...the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The required weekly payroll information may be submitted in any form desired. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors."

Additionally, 29 CFR 5.5(a)(3) states, "...The Federal agency providing funding or the contracting agency in a financially-assisted construction contract has the primary, day-to-day responsibility for administering and enforcing the prevailing wage rate requirements in covered contracts. They are responsible for ensuring that the contractor maintains appropriate records by performing activities, such as:

- a) Verifying that covered contracts have incorporated the required Davis-Bacon clauses and the applicable wage determination(s);
- b) Verifying that the Davis-Bacon notice and the applicable wage determination(s) are displayed at the site of the work in a conspicuous location in clear view of everyone;
- c) Reviewing certified payrolls in a timely manner;
- d) Conducting employee interviews;
- e) Conducting investigations;
- f) Forwarding refusal to pay and/or debarment consideration cases to the USDOL Wage and Hour Division for appropriate action; and
- g) Submitting enforcement reports and semi-annual enforcement reports to the USDOL Wage and Hour Division.

When a contractor is continually late with payroll submittals, the contracting agency must send the prime contractor a written notice restating the contract requirements for submitting the weekly payroll statements. If the contractor continues to submit the payroll statements late, the following actions can be taken:

- a) Withhold payments until the payroll submittal requirements are met;
- b) Terminate the contract; or
- c) Refer the violating contractor to the USDOL for possible legal prosecution and/or debarment."

The OMB Circular A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our testwork over the HOME program for fiscal year 2014, we noted that DHCD did not have sufficient controls in place to ensure full compliance with the Davis-Bacon Act. Specifically, we noted the following:

- For 4 of the 65 certified payrolls tested, the receipt date and/or the review date of the certified payrolls were not documented; therefore, we could not determine the timeliness of receipt or review of the certified payroll.
- For 43 of the 65 certified payrolls tested, DHCD could not provide evidence for follow-up with the contractor when the certified payrolls or Statement of Compliance for no work performed was received by DHCD more than 15 days after the scheduled payroll week ended date. The following table reflects the number of days the certified payrolls were received after the payroll week ended date:

<u># of Days Late</u>	<u># of Exceptions</u>
15 – 29 days	14
30 - 44 days	8
45 - 59 days	6
60 - 89 days	6
90 – 119 days	4
>120 days	5

- For 9 of the 65 certified payrolls tested, there was no evidence of review.
- For 21 of the 65 certified payrolls tested, we noted the certified payroll or statement of compliance for no work performed was not reviewed timely (i.e., within 30 days) by program personnel. The following table reflects the number of certified payrolls that were not reviewed within 30 days:

<u># of Days</u>	<u>Total</u>
31-59 days	10
60-89 days	5
>89 days	6

Cause

DHCD did not have policies and procedures in place to monitor instances when the required payrolls were not received by the contractors or to perform the necessary follow up for contractors who were continually late with payroll submissions. Additionally, DHCD did not have policies and procedures in place to monitor if the reviews of payroll submissions were being performed timely.

Effect

Without effective and adequate internal controls, DHCD is not able to ensure that contractors and subcontractors are complying with the Davis-Bacon Act requirements. Further, DHCD was not in compliance with the Davis-Bacon Act compliance requirements.

Recommendation

We recommend DHCD develop and implement policies and procedures:

1. To monitor payroll submissions and to perform the necessary follow-up or corrective action when the certified payrolls or statement of compliance for no work performed are not submitted timely;
2. That requires management to document the date of receipt and review of the certified payrolls or statement of compliance for no work performed, and
3. To monitor the reviews of payroll submissions to ensure they are performed timely.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

KPMG:

For 3 of the 65 certified payrolls tested. DHCD could not provide evidence for follow-up with the contractor when the certified payrolls or Statement of Compliance for no work performed was received by DHCD more than 15 days after the scheduled payroll week ended date. The following table reflects the number of days the certified payrolls were received after the payroll week ended date.

RESPONSE:

DHCD has instituted the following policies and procedures as a result of the 2013 Audit findings released to OPM in June 2014. These policies and procedures are effective as of 2015.

- Creation of "Compliance Monitoring Excel Workbook" to house data and documentation on CP submissions and compliance. The Workbook also includes a grading system of Satisfactory, Unsatisfactory, and Unsatisfactory with Comments.

KPMG:

For 21 of the 65 certified payrolls tested. we noted the certified payroll or statement of compliance for no work performed was not reviewed timely (i.e., within 30 days) by program personnel. The following table reflects the number of certified payrolls that were not reviewed within 30 days.

RESPONSE:

The Certified Payrolls received are checked/verified against the accompanying Transmittal that lists all CP's being submitted. This is performed within 48 hours of receiving the CP submission. When a Contractor's weekly CP submission is listed on the GC's Transmittal but was omitted from the package. We do not log it in as a package but return it to the Contractor so it can be correctly submitted. Contractor then must contract the subcontractor who must prepare the CP. These additional steps caused the delay in processing the CP's from the GC's.

KPMG:

For 9 of the 65 certified payrolls tested, there was no evidence of review.

RESPONSE:

Management going forward, will ensure that all CP's are reviewed and initialed by staff after they are reviewed.

KPMG:

"For 4 of the 65 certified payrolls tested, the receipt date and/or the review date of the certified payrolls were not documented. Therefore, we could not determine the timeliness of receipt or review of the certified payroll."

RESPONSE:

Hard copy of CP's received at DHCD are received through the DAS Division (Department of Administrative Services) where the package is date stamped and routed to OPM for signature of receipt. Effective October 2015 all CP's received from contractors will be date stamped in the Office of Program Monitoring.

<i>Finding Number</i>	2014-026
<i>Prior Year Finding Number</i>	2013-024
<i>Federal Program</i>	HOME Investment Partnerships Program (14.239)
<i>Federal Award Number</i>	M12-SG-11-0100; M13-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

24 CFR 92.252 requires that “the HOME-assisted units in a rental housing project must be occupied only by households that are eligible as low income families and must meet the following requirements to qualify as affordable housing. The affordability requirements also apply to the HOME-assisted non-owner-occupied units in single-family housing purchased with HOME funds in accordance with § 92.254.”

The OMB Circular A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

The HOME program had multifamily and single family loans totaling \$99.2 million outstanding at year-end. For our eligibility testing, we selected a sample of 65 single family loans that had outstanding balances totaling \$2 million at year-end and 4 multifamily loans that had outstanding balances totaling \$3 million. During our testing, we noted supporting documentation was not provided to evidence that the borrowers continued to meet the affordable housing requirements. Specifically,

- For 65 out of 65 single family loans selected, the Agency was unable to provide supporting documentation to verify that the projects were monitored to ensure compliance with the HOME eligibility requirement; and
- For 4 out of 4 multifamily loans selected, the Agency was unable to provide supporting documentation to verify that the projects were monitored to ensure compliance with the HOME eligibility requirement.

Cause

For 65 out of the 65 single family loans tested, we noted that DHCD contracted with AmeriNational Community Services (ACS) to service the loans for the Home Purchase Assistance and Single Family Programs. ACS’ responsibilities also include monitoring borrowers’ eligibility to determine if they remain eligible to occupy the affordable housing unit during the period of affordability. We further noted DHCD is in the process of implementing procedures which require ACS to send out affidavits to borrowers to verify if the borrowers continue to meet the affordable housing requirements.

For 4 out of 4 multifamily loans, DHCD did not have a sufficient monitoring process in place to ensure that all borrowers continue to meet the affordable housing requirements during the period of affordability.

Effect

Without adequate policies and procedures in place to monitor the eligibility of the borrowers, DHCD cannot ensure the borrowers continue to meet the affordable housing requirements during the period of affordability.

Recommendation

We recommend that program management:

1. Continue with its plans to implement policies and procedures that require management and ACS to monitor individuals with outstanding loans to ensure continued eligibility during the period of affordability; and
2. Develop policies and procedures to ensure that all borrowers continue to meet the affordable housing requirements during the period of affordability.

Related Noncompliance

Material noncompliance when considered in connection with other findings of material noncompliance which resulted in an adverse opinion on compliance for this major program.

Questioned Costs

None

Views of Responsible Officials

DHCD does not concur with the findings.

There is no requirement in 24 CFR 92.252 for ongoing monitoring of affordability in homeownership units unless the HOME assisted unit is non-owner-occupied. DHCD's deeds of trusts for the Home Purchase Assistance Program and Single Family Programs require borrowers to maintain the property as their primary residence, for the life of the loan. For this reason HOME assisted units in these programs should not be occupied by non-owners. These programs contract with Community Based Organizations (CBOs) to have income verifications completed as part of the eligibility review. When HOME funded single family properties are sold, funds are repaid.

Moreover, the assertion by KPMG that "ACS' responsibilities also include monitoring borrowers' eligibility to determine if they remain eligible to occupy the affordable housing unit during the period of affordability" is incorrect, ACS is a loan servicer provider only. ACS affidavits are used to determine compliance with residency requirements set forth in DHCD loan documents.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-027
<i>Prior Year Finding Number</i>	NA
<i>Federal Program</i>	Home Investment Partnerships Program (14.239)
<i>Federal Award #</i>	M12-SG-11-0100; M13-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR 170 requires "...obligations to be reported in the FSRS no later than the end of the month following the month of the obligation. For example, if a subaward is made on October 2, 2010, the subaward information must be reported by no later than November 30, 2010. Also, if a state makes a subaward under a grant or cooperative agreement to an entity other than an individual who is a natural person, the subaward is \$25,000 or more, and no exemptions apply, the State would need to report the subaward."

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During our walkthrough of the reporting process, we noted that DHCD could not provide support to evidence that the FFATA reports were reviewed by someone other than the preparer prior to being submitted to HUD through the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Additionally, DHCD could not demonstrate that the required FFATA award information was input into the FSRS.

Cause

DHCD did not have policies and procedures in place to require the FFATA reports be reviewed by someone other than the preparer to ensure the completeness and accuracy of the reports.

Additionally, DHCD did not have a documented process in place for verifying that the FFATA reports for fiscal year 2014 were submitted to HUD and made available to the public.

Effect

Without effective policies and procedures in place, DHCD is unable to ensure completeness and accuracy of the FFATA reports and is unable to ensure that the FFATA reports are submitted to HUD and made available to the public.

Additionally, DHCD could not demonstrate that the required FFATA award information was input into the FSRS and that the Agency was in compliance with the reporting requirement.

Recommendation

We recommend that DHCD develop policies and procedures that require management to perform a quality control review of the FFATA reports prior to submission, and to verify that the FFATA reports are submitted to HUD and made available to the public.

Related Noncompliance

Material noncompliance when considered in connection with other findings of material noncompliance which resulted in an adverse opinion on compliance for this major program.

Questioned Costs

None

Views of Responsible Officials

Management concurs with the finding. Management will review this finding and going forward will ensure supervisory review.

<i>Finding Number</i>	2014-028
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnership Program (CFDA 14.239)
<i>Federal Award #</i>	M12-SG-11-0100; M13-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR section 25.110 and Appendix A to 2 CFR part 25 states that "...in addition to any programmatic eligibility criteria, a pass-through entity is responsible for determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award."

45 CFR 92.40(a) states "...Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

31 USC 7502(f)(2)(B) states that "...each pass-through entity shall Monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, 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."

24 CFR 570.489 states that "...The standards described in this section apply to real property within the unit of general local government's control (including activities undertaken by subrecipients) which was acquired or improved in whole or in part using HOME funds in excess of the threshold for small purchase procurement (24 CFR 85.36, "Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments"). These standards shall apply from the date CDBG funds are first spent for the property until five years after closeout of the unit of general local government's grant. (1) A unit of general local governments may not change the use or planned use of any such property (including the beneficiaries of such use) from that for which the acquisition or improvement was made, unless the unit of general local government provides affected citizens with reasonable notice of and opportunity to comment on any proposed change..."

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

The HOME program had \$647,190 in subrecipient payments for fiscal year 2014. We selected a sample of two subrecipients for testing that had \$597,191 in total payments during the year and noted the following:

- For the two subrecipients, DHCD did not include all of the required award information in the grant agreement. Specifically, we noted the following information was not included: CFDA Number, Federal Award Identification Number (FAIN), Federal Award Date, Subrecipient's DUNS

number, Amount of Federal Funds Obligated, Total Amount of the Federal Award and the Name of the Federal awarding agency.

- For the two subrecipients tested, DHCD did not provide supporting documentation evidencing that the subrecipient provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or before award.
- For one of two subrecipients tested, support was not provided by management evidencing any monitoring was performed.
- For one of two subrecipients tested, DHCD did not issue management decisions on audit findings within 6 months after receipt of the subrecipient's audit report.

Additionally, during our walkthrough, we noted that monitoring activities were not performed by DHCD to determine if subrecipients had changed the use or planned use of property acquired with any HOME funding.

Cause

DHCD did not perform a sufficient review regarding management's review of the grant agreements for completeness and accuracy of the required awarding information. Additionally, based on discussion with management, we noted that DHCD did not believe a Dun and Bradstreet Data Universal Numbering System (DUNS) number was required because the subrecipient received a Certificate of Clean Hands under the Clean Hands Law (DC Official Code §§47-2861 through 47-2866).

DHCD did not adhere to existing policies and procedures regarding the monitoring of subrecipients to ensure compliance with program requirements and does not have internal controls in place to ensure timely follow-up with the subrecipient is performed when audit findings are identified.

Further, management informed us that they did not believe DHCD had control over the real property held by subrecipients, which is why DHCD did not have policies and procedures in place that required management to monitor subrecipients to determine if the use or planned use of property had changed. However, as noted in 24 CFR 570.489, property within the unit of general local government's control includes those activities undertaken by subrecipients.

Effect

Without effective monitoring controls, DHCD is not able to ensure that subrecipients are complying with the grant requirements.

Additionally, DHCD is noncompliant with the Subrecipient Monitoring compliance requirement.

Recommendation

We recommend that management:

1. Strengthen their controls to ensure that the required award information is contained in the grant agreements;

2. Develop and implement a process to determine whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award;
3. Adhere to existing policies and procedures regarding the ongoing monitoring of subrecipients and to implement a process to track the follow-up with subrecipients when audit findings are identified; and
4. Develop and implement a process to monitor subrecipients to identify properties for which the use or planned use of the property has changed, and for those properties identified take the appropriate corrective actions required by the regulations.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the findings. The audit findings from fiscal year 2013 were issued in midyear 2014, when the grant awards for fiscal year 2014 were already executed. Going forward in fiscal year 2015, the issues have been mitigated.

<i>Finding Number</i>	2014-029
<i>Prior Year Finding Number</i>	2013-021
<i>Federal Program</i>	HOME Investment Partnerships Program (14.239)
<i>Federal Award Number</i>	M12-SG-11-0100; M13-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Special Tests & Provisions – Housing Quality Standards
<i>Finding Related to ARRA</i>	No

Criteria

Per 24 CFR 92.504(b), “During the period of affordability, the participating jurisdiction must perform on-site inspections of HOME-assisted rental housing to determine compliance with the property standards of §92.251 and to verify the information submitted by the owners in accordance with the requirements of §92.252 no less than: every three years for projects containing 1 to 4 units; every two years for projects containing 5 to 25 units; and every year for projects containing 26 or more units. Inspections must be based on a sufficient sample of units.”

The OMB Circular A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our testwork, we noted management was unable to generate a complete listing that included all rental housing units subject to on-site inspections.

Cause

DHCD did not have a process in place to track housing units that are subject to the housing quality standards to ensure the related inspections were completed.

Effect

Without effective controls, DHCD is not able to ensure that the HOME assisted rental housing units subject to housing quality standards are inspected.

Recommendation

We recommend DHCD implement a process to track the units that are subject to the housing quality standards to ensure the required inspections are completed.

Related Noncompliance

Material noncompliance when considered in connection with other findings of material noncompliance which resulted in an adverse opinion on compliance for this major program.

Questioned Costs

None

Views of Responsible Officials

DHCD does not concur with the findings. DCHS provided an annual HOME monitoring schedule for properties requiring on-site inspections. The approved 2014 HOME monitoring schedule, HOME rental portfolio spreadsheet and HOME rental checklists were shared with auditors on April 2, 2015.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-030
<i>Prior Year Finding Number</i>	2013-025
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS (14.241)
<i>Federal Award Number</i>	DCH013-F001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-87 (2 CFR part 225) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

24 CFR section 574.520 and 24 CFR part 91 requires “grantees to submit to the Department of Housing and Urban Development (HUD) annually a report describing the use of the amounts received, including the number of individuals assisted, the types of assistance provided, and any other information that HUD may require. Annual reports are required until all grant funds are expended.”

Condition

As part of our testing over the reporting compliance requirement, we noted management could not provide sufficient documentation to support the information reported in the HUD-40110-C, *Annual Progress Report*, and HUD-40110-D, *Consolidated Annual Performance and Evaluation Report* (herein collectively referred to as the reports). Specifically, we noted the total program expenditures per the reports did not agree to the total expenditures per the general ledger.

Cause

DOH did not ensure that the information submitted to HUD was complete, accurate and it reconciled to the general ledger.

Effect

DOH was not in compliance with the reporting requirements for the HOPWA program.

Recommendation

We recommend that DOH enhance its review process to ensure the reports reconcile to the general ledger.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) does not concur with this finding for the Housing Opportunities for Persons with AIDS program (14.241) regarding financial data reported in the Consolidated Annual Performance and Evaluation Report (CAPER). DOH agrees that there is a variance noted by the auditor in a review of the expenditure data reported in CAPER and the expenditure detail outlined in the SEFA; however DOH has complied with all terms of the federal award from HUD, which requires that the CAPER source data be derived from and tie-back to the Integrated Disbursement Information System (IDIS). DOH has fulfilled statutory and regulatory program reporting requirements, to ensure the CAPER and IDIS data align.

In FY 14, the HIV/AIDS, Hepatitis, STD and TB Administration (HAHSTA) managers had established a protocol (as an FY 13 corrective action) to ensure in internal review process with the Office of the Chief Financial Officer for preparation of the draft CAPER, which is subsequently routed to HUD as a draft and reviewed and vetted with HUD contractors before being finalized. The contractors verify and validate all source documents. DOH received a notification of acceptance of that CAPER on March 9, 2015, with HUD stating that the data was in line with the requirements and had no errors.

DOH will conduct an immediate review of the exact cause of the variance and implement a process between program leads, contractors for IDIS management and OCFO to conduct a quarterly reconciliation and closeout review of a variance that may occur because of inherent parameters for drawdown and carry-forward limitations in IDIS for subrecipients and for jurisdictional partners receiving HUD funds administered by DOH. HAHSTA has recently filled a vacant housing manager position in FY 14 to ensure that the monitoring is on-going.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-031
<i>Prior Year Finding Number</i>	2013-026
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS (14.241)
<i>Federal Award Number</i>	DCH013-F001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-87 (2 CFR part 225) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Regulation 31 USC 7502(f)(2)(B) states that “...each pass-through entity shall monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, 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.”

Condition

The HOPWA program had 12 subrecipients with total expenditures of \$12,377,212 during fiscal year 2014. As part of our testing over the subrecipient monitoring compliance requirement, we selected a sample of four subrecipients for testing that had expenditures totaling \$10,483,641. Based on our testing, we noted DOH was unable to provide evidence that the grant on-site monitoring report was reviewed for one of the four subrecipients tested.

Cause

DOH did not have policies and procedures in place to ensure management review of the grant on-site monitoring reports were completed timely.

Effect

Without effective internal controls, DOH is not able to ensure they are complying with their grant monitoring requirements.

Recommendation

We recommend DOH implement a process to monitor supervisors’ reviews to ensure they are completed in timely manner.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding for the Housing Opportunities for Persons with AIDS program (14.241). Since this is a repeat finding for this category, DOH senior management will ensure implementation of an accelerated 45-day corrective action plan to revise and implement DOH protocols for the sub-grantee on-site review process, including protocols for proper certification of the review process with appropriate sign-off by a supervisor.

While there is DOH concurrence with the finding, DOH does not fully concur with the generalized "cause" cited by the auditor. DOH does indeed have policies and procedures in place for management review of site visit reports. DOH has made management changes and applied appropriate penalties for noncompliance by staff responsible for this condition. In a review of the cause, DOH senior management asserts that controls will be put in place to track the status of site visit activities, including reporting.

Additionally, DOH will address the cause by immediately instituting a process for elevating certification and sign-off responsibilities in the absence of the assigned manager. Notably, since January 2015, HAHSTA has implemented a site visit workgroup, created a centralized calendar and tracking system for site visit scheduling and reporting. Also, DOH has already integrated these controls into the functional design and business requirements for the DOH Electronic Grants Management System (EGMS).

The DOH Office of Grants Management (OGM) will continue to be the responsible unit for implementing corrective actions targeting three areas: (1) reissuance and training on subrecipient monitoring policies and procedures; (2) monitoring of key performance indicators for increasing efficiencies in subrecipient monitoring and (3) full implementation of the DOH Electronic Grants Management Solution (EGMS) which remains a committed tool for providing an on-line environment for monitors, supervisors and subrecipients to conduct all core grants management tasks.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-032
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Unemployment Insurance (17.225)
<i>Federal Award Number</i>	ES-22056-11-55-A-11 UI-19575-10-55-A-11 UI-21092-11-55-A-11 UI-22268-12-55-A-11 UI-23929-13-55-A-11 UI-25195-14-55-A-11
<i>Federal Agency</i>	Department of Labor
<i>District Department</i>	Department of Employment Services (DOES)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

OMB Circular A-87 states,

(3) 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 periodic 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 firsthand knowledge of the work performed by the employee.

(4) 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 which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Condition

The UI program had total payroll costs of \$10,155,835 for fiscal year 2014. During the tests of design we noted that comparisons of actual costs to budgeted distributions were not completed for two grants management employees who provided support to multiple grants. These employees had total expenditures of \$31,418.

In addition, we selected 25 payroll transactions for testing with total expenditures of \$47,276. In our sample of 25 payroll transactions, 17 related to employees that spent 100% of their time working on the UI program, and 8 related to employees who worked on multiple grants, including UI. During our testwork, we noted the following:

- There were no semi-annual certifications completed for the period October 1, 2013 through March 31, 2014 for 7 employees in our sample as well as 87 of the 109 total employees that spent 100% of their time working on the UI program; and
- There were no semi-annual certifications completed for the period April 1, 2014 through September 30, 2014 for 9 employees in our sample as well as 100 of the 109 total employees that spent 100% of their time working on the UI program.

However, we noted that for each employee that spent 100% of their time working on the UI program, their timesheet in PeopleSoft, the District's payroll system, was reviewed and approved by a supervisory official having first-hand knowledge of the work performed by the employee. As such, while DOES did not consistently adhere to its policies and procedures surrounding obtaining the semi-annual certifications for all employees that spent 100% of their time working on the UI program which is indicative of a lack of internal controls, we were able to obtain evidence to support the allowability of the payroll and related costs associated with those employees that was charged to the UI program in fiscal year 2014.

Cause

Per discussions with management, the lack of performance of the semi-annual certifications was an oversight and the Agency is currently working with Human Resources to ensure that moving forward, this certification is completed on a semi-annual basis.

Additionally, the Department of Employment Services (DOES) allocated payroll expenditures for the Grants Management team who provide services to multiple grants and therefore, multiple cost objectives, based on predetermined percentages entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the quarter. These percentages were management's estimate of the hours they expected each employee to work on their respective programs based on the percentage of hours worked

by the Program Staff on each grant in the prior quarter. However, management did not perform a periodic comparison of the employees' estimated hours to the actual hours incurred, and make any necessary adjustment as required by OMB Circular A-87.

Effect

DOES did not adhere to their existing policies for completing the semi-annual time certifications. Additionally, payroll costs charged to the UI program for those employees who worked on multiple programs were not supported in accordance with OMB Circular A-87 effort reporting requirements.

Recommendation

We recommend that management:

- Adhere to its existing policies regarding the completion of semi-annual certification for all employees who spend 100% of their time on the UI program until such time as the District formally adopts a new practice that meets existing requirements under OMB Circular A-87 as well as the new requirements set forth in 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* which become effective for certain grants in fiscal year 2015; and
- Develop and implement a process to perform a periodic comparison of employees' estimated hours to the actual hours incurred for those employees who work on multiple cost objectives, and make any necessary adjustment as required by OMB Circular A-87.

Related Noncompliance

Noncompliance

Questioned Costs

Unable to be determined. However, total payroll costs for UI in fiscal year 2014 were \$10,155,835, including fringe benefits.

Views of Responsible Officials

Management does not concur with the noncompliance findings because the Department of Employment Services (DOES) has followed OMB Circular A-87 as confirmed by the Department of Labor that the current system of charging federal grants through the time and labor distribution in PeopleSoft, the District HR system, meets the payroll documentation and certification requirements of OMB Circular A-87.

In fiscal year 2013, the DOES transitioned from the manual system of FARS to PeopleSoft as its time and labor distribution system. DOES' employees have filled out a timesheet using PeopleSoft combo-codes that allows them to breakout their actual time based on activity or programs. The bi-weekly timesheet is signed by each employee; reviewed and approved by their supervisors. DOES continues the old practice of the manual semi-annual certification as merely an extra step along with bi-weekly certifications of employees' actual time charged to federal awards through an approval process in PeopleSoft.

Therefore, DOES is in full compliance with OMB Circular A-87 as its confirmed by DOL: *"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 periodic 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 firsthand knowledge of the work performed by employees"*.

DOES will continue to use the bi-weekly process of certifying time through PeopleSoft for all employees whether on a "single" or "multiple" allocation. In addition, DOES Cost Allocation Plan allows for cost pools for what is essentially indirect cost. All allocations within the agency are based on how staff directly working on respective funding streams charge time and effort. The methodology for the cost pools has been accepted by the Department of Labor (DOL).

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-033
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Unemployment Insurance (17.225)
<i>Federal Award Number</i>	ES-22056-11-55-A-11
	UI-19575-10-55-A-11
	UI-21092-11-55-A-11
	UI-22268-12-55-A-11
	UI-23929-13-55-A-11
	UI-25195-14-55-A-11
<i>Federal Agency</i>	Department of Labor
<i>District Department</i>	Department of Employment Services (DOES)
<i>Compliance Requirement</i>	Period of Availability
<i>Finding Related to ARRA</i>	No

Criteria

§ 2. CFR 215.28 states:

Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

§ 2 CFR 215.71 (a) to (c) states:

(a) Recipients shall submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award. The Federal awarding agency may approve extensions when requested by the recipient.

(b) Unless the Federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions.

(c) The Federal awarding agency shall make prompt payments to a recipient for allowable reimbursable costs under the award being closed out.

The Fiscal Year (FY) 2013 Annual Funding Agreement states:

Unemployment Insurance (UI) Administration - These funds are available for obligation by the Grantee (State) beginning October 1, 2012 through December 31, 2013, unless an extension is otherwise approved. Funds are to be expended and liquidated by March 31, 2014, except that such funds for automation acquisitions shall be available for obligation by the Grantee (State) through September 30, 2015 and unless an extension is otherwise approved, funds are to be expended/liquidated by December 31, 2015 (See Clause 12, Paragraph E).

Condition

As outlined in the grant agreement for Grant UI21PY Phase 13, expenditures were required to be obligated by 12/31/2013 and expended and liquidated by 3/31/2014, unless an extension was received or the expenditure related to automation acquisitions.

During our testwork over the period of availability of twenty five payroll samples totaling \$47,328, we noted that for two samples totaling \$4,153, the expenditures were charged to the grant although the payroll

expenditures were for pay periods ending on 5/31/2014 and 6/18/2014 and DOES did not receive an extension for the grant. Additionally, we noted that a total of \$89,597 of fiscal year 2014 payroll expenditures, including fringe benefits, were charged to Grant UI21PY Phase 13 after 3/31/2014.

Cause

DOES did not adequately monitor expenditures that were charged to the UI21PY Phase 13 grant to ensure that all expenditures were obligated by December 31, 2013 and were expended and liquidated by March 31, 2014. Additionally, DOES did not reach out to DOL to request an extension when it was determined by the UI program that expenditures would incur after December 31, 2013.

Effect

DOES does not have adequate internal controls in place to monitor the incurrence of expenditures and ensure proper cut off within the period of availability of the grant. Additionally, the UI program was not in compliance with the Period of Availability compliance requirement for the year ended 9/30/2014.

Recommendation

We recommend that management strengthen its current internal controls to ensure that expenditures are monitored appropriately and to request the proper extensions from the DOL as necessary.

Related Noncompliance

Noncompliance

Questioned Costs

\$89,597

Views of Responsible Officials

The UI expenditures outside of the period of availability are in fact from actual UI costs incurred by the UI Administrative grant and no other program and/or activity. Management will continue to strengthen its current internal controls to ensure that expenditures are monitored appropriately and to request the proper extensions from DOL, as necessary, by monitoring whether the program officially submits the proper extension in accordance with the required protocol of the UI funding agreement. If DOES OCFO has not secured an official approved period of availability extension of the UI grant from DOES program, DOES OCFO will terminate the effective date of any and all further transactions to coincide with the period of availability of the UI grant as of December 31st of each awarding fiscal year. This practice will be implemented and executed going forward, effective immediately, this current fiscal year of FY15.

<i>Finding Number</i>	2014-034
<i>Prior Year Finding Number</i>	2013-028
<i>Federal Program</i>	Unemployment Insurance (17.225)
<i>Federal Award Number</i>	ES-22056-11-55-A-11
	UI-19575-10-55-A-11
	UI-21092-11-55-A-11
	UI-22268-12-55-A-11
	UI-23929-13-55-A-11
	UI-25195-14-55-A-11
<i>Federal Agency</i>	Department of Labor
<i>District Department</i>	Department of Employment Services (DOES)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

The Department of Labor Employment and Training Administration (ETA) Unemployment Insurance (UI) Report Handbook No. 401, 4th Edition (the Handbook) states that, “Form ETA 2112 is a monthly summary of transactions in a state unemployment fund which consists of the Clearing Account, Unemployment Trust Fund (UTF) Account, and Benefit Payment Account. All payments by employers (and employees where applicable) into a state unemployment fund for contributions, payments in lieu of contributions, and special assessments should be accounted for in the report. The data used in preparing the ETA 2112 must be obtained from the books of the state. A properly completed ETA 2112 will accurately show the net result of all transactions in the three accounts comprising the state unemployment fund as they appear in each state’s records”.

Additionally, per the Handbook, “The ETA 227 report provides information on overpayments of intrastate and interstate claims under the state unemployment compensation (UI), and under federal UI programs; i.e., programs providing unemployment compensation for federal employees (UCFE) and ex-service members (UCX), established under Chapter 85, Title 5, U.S. Code. This report will include claims for regular, state additional, and federal-state extended benefits (EB)”.

Condition

During our testwork over the September 2014 ETA 2112 report, *UI Financial Transaction Summary*, we noted that the amount recorded in row 50 for “Withholding” in column E, “Unemployment Trust Fund Account” of \$804,370 did not agree to the amount on the supporting documentation of \$682,103.

Additionally, during our testwork over the 1st and 4th quarter ETA 227, *Overpayment Detection/Recovery* reports, we noted that the “Number of Convictions Obtained” reported on line 404 of the ETA 227 reports for Q1 and Q4 did not agree to the number of conviction letters we identified on the Office of Inspector General (OIG) website. Specifically,

- In the 1st quarter ETA 227 report, DOES reported that there were 2 convictions obtained, whereas 3 convictions were reported on the OIG website; and

- In the 4th quarter ETA 227 report, DOES reported that there were 0 convictions obtained, whereas 6 convictions were reported on the OIG website.

Cause

The District Department of Employment Services (DOES) doesn't have adequate policies, procedures and internal controls in place to ensure that all reports submitted to the Department of Labor (DOL) are complete and accurate. Additionally, DOES only reports the number of convictions received directly from the OIG. The Agency does not have procedures in place to independently monitor cases that have been referred to the OIG for prosecution.

Effect

Without adequate policies, procedures and controls there is an increased risk that reports submitted to DOL will not be complete and accurate.

Recommendation

We recommend that DOES strengthen its current policies, procedures, and internal controls requiring a proper review of all reports for completeness and accuracy prior to submission to DOL.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The District Department of Employment Services does have adequate policies, procedures and internal controls in place to ensure that all reports submitted to the Department of Labor are complete and accurate.

The September 2014 ETA 2112, accurately showed the net result of all transactions in the three accounts comprising the state unemployment fund as they appear in each state's record. The withholding amount on the ETA 2112 report for September 2014 recorded in the other information section was not correct but as noted by KPMG, the correct amount was included in line 50e as well as in the main body of the report i.e. line #10 to line #48 which calculates to the Fund ending balance for the reporting month and matches the balance as per the bank statement. The memo note error did not result in the in accurate reporting of the net transactions for the UI Trust Fund Account on the ETA 2112 neither the misstatement of the ending account balance. Management subsequently corrected this error, outside the fiscal year under audit.

The Department of Employment Services (DOES) has developed a status update report to send to the point of contact for the Office of Inspector General (OIG) within the first couple of weeks of each quarter, prior to transmitting the ET A-227. The purpose of sending this status update report will be to request any new updates, such as number of convictions obtained, in reference to the cases that were referred for prosecution for previous quarters.

Previously, we have received timely and accurate case status information (letters) from the OJG regarding the outcome of the cases referred for prosecution. As a result, DOES has never had to request regular updates nor search the OIG's website to confirm this information. However, in order to independently monitor the status of cases referred to the OIG for prosecution, and to ensure the accuracy of our reports. DOES is taking a more proactive approach to obtain this information. Through the use of the OIG's website, along with requesting quarterly updates from the OIG prior to transmitting the ETA-227, DOES will be taking more internal steps towards obtaining the most accurate and up to date information regarding our cases referred for prosecution. By sending this report quarterly to the OIG, DOES will be taking a more proactive step in obtaining this information for more accurate reporting.

Management will continue to monitor the execution of current policies, procedures and internal controls over report submission to ensure accuracy and completeness of reports submitted to the Department of Labor.

<i>Finding Number</i>	2014-035
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Unemployment Insurance (17.225)
<i>Federal Award Number</i>	ES-22056-11-55-A-11 UI-19575-10-55-A-11 UI-21092-11-55-A-11 UI-22268-12-55-A-11 UI-23929-13-55-A-11 UI-25195-14-55-A-11
<i>Federal Agency</i>	Department of Labor
<i>District Department</i>	Department of Employment Services (DOES)
<i>Compliance Requirement</i>	Special Tests and Provisions – UC Program Integrity – Overpayments
<i>Finding Related to ARRA</i>	Yes

Criteria

The Unemployment Insurance (UI) program operated by the District of Columbia’s Department of Employment Services (DOES), was required to implement processes and procedures in order to comply with Pub. L No. 112-40, enacted on October 21, 2011, and effective October 21, 2013. This law amended sections 303(a) and 453A of the Social Security Act and sections 3303, 3304, and 3309 of the Federal Unemployment Tax Act (FUTA) to improve program integrity and reduce overpayments. (See UIPL Nos. 02-12, and 02-12, Change 1) (http://wdr.doleta.gov/directives/corr_list.cfm). Specifically,

“States are (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) States are prohibited from providing relief from charges to an employer’s UC account when overpayments are the result of the employer’s failure to respond timely or adequately to a request for information. States may continue to waive recovery of overpayments in certain situations and must continue to offer the individual a fair hearing prior to recovery”.

Condition

DOES did not have policies or procedures in place to ensure compliance with the Unemployment Compensation Program Integrity-Overpayments compliance requirement until October 21, 2014.

Cause

Several major events occurring during fiscal year 2013 negatively impacted DOES’ goals in implementing the 15% penalty by the October 21, 2013 effective date. These major events included the Extended Unemployment Compensation (EUC) Reduction due to Sequestration, which occurred in March of 2013, and had implications on the entire UI program through September 2013, the Federal Furlough, occurring from October 1-16, 2013, and the establishment and recoupment of overpayments resulting from the Federal Furlough, which extended into 2014. The aforementioned major events in 2013 expended DOES’ financial and manpower resources necessary to implement Pub. L No. 122-40.

Effect

DOES was not in compliance with the Unemployment Compensation Program Integrity – Overpayments compliance requirement during fiscal year 2014. Additionally, there is an increased risk that monetary penalties related to fraudulent acts will not be appropriately assessed or improper relief payments will be provided to employers.

Recommendation

We recommend that DOES execute the policies and procedures established in October 2014 and also implement internal controls over compliance with the requirements of Pub. L. No. 112-40.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Employment Services (DOES) will review the fraudulent overpayments established between Benefit Week Ending (BWE) October 26, 2013 and BWE October 18, 2014. For compliance purposes of part one (1) of UIPL 02-12, DOES will assess the 15% penalty to all fraudulent overpayments established after October 21, 2013. Once DOES assesses the penalty to all fraudulent overpayments established after this time, DOES will waive the penalty from the claimants' outstanding fraudulent overpayment.

DOES' election to waive the 15% penalty on those fraudulent overpayments that were established between BWE October 26, 2013 and BWE October 18, 2014 is based on the rationale that it would be unfair to the claimants who had previously received notice of their fraudulent overpayments, made payment arrangements, and in some cases paid their debt in full, to be assessed the 15% penalty retroactively and without notice. DOES will compile all documentation involved in the process of assessing and waiving the penalties for each claimant in this population.

In regards to the implementation of part two (2) of UIPL 02-12, legislation is pending with the D.C. Council to amend the District of Columbia Unemployment Compensation Act in order to legally implement the changes within the District. While approval is pending with the D.C. Council, DOES is in the process of developing the necessary internal framework and procedures, including those related to the subsequent appeals process, to ensure compliance with this portion of UIPL 02-12 that prohibits relief of charges to an employer's Unemployment Compensation account when overpayments are the result of the employer's failure to respond timely or adequately to DOES' request for information.

<i>Finding Number</i>	2014-036
<i>Prior Year Finding Number</i>	2013-030
<i>Federal Program</i>	Highway Planning and Construction Cluster (20.205)
<i>Federal Award Number</i>	C2401300015, C2401108027
<i>Federal Agency</i>	Department of Transportation
<i>District Department</i>	District Department of Transportation (DDOT)
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 2 CFR section 180.300, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals, as defined in 2 CFR section 180.995 and agency adopting regulations, are not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) (Note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

In addition to those statutes applicable to procurement listed in the A-102 Common Rule and OMB Circular A-110, Section 1605 of the American Recovery and Reinvestment Act of 2009 (ARRA or Recovery Act) prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. As defined by Section 1605, "public building and public work" means a public building of, and a public work of, a governmental entity (the United States; the District of Columbia; commonwealths, territories, and minor outlying islands of the United States, State and Local governments; and multi-State, regional, or interstate entities that have governmental functions). These buildings and public works may include, without limitation, bridges, dams, highways, parkways, plants, tunnels, subways, railways, sewer mains, power lines, and the construction, alteration, maintenance or repair of such buildings and works.

This results in making the Buy-American Act apply to these ARRA awards. ARRA provides for waiver of these requirements under specified circumstances. An award term is required in all ARRA-funded awards for construction, alteration, maintenance, or repair of a public building or public work (2 CFR section 176.140). Further information about this requirement, including applicable definitions, is found in 2 CFR part 176, subpart B. 2 CFR part 176, including the award term, was amended effective March 25, 2010 [75 FR 14323] to reflect changes regarding international agreements. These changes include (1) beginning January 1, 2010, raising the threshold that applies to international agreements from \$7,430,000 to \$7,804,000 and (2) recognizing agreements or signatories to agreements subsequent to the original publication of 2 CFR part 176.

§ 176.70 Policy

Except as provided in § 176.80 or § 176.90—

- a. None of the funds appropriated or otherwise made available by the Recovery Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work (see definitions at §§ 176.140 and 176.160) unless—
 1. The public building or public work is located in the United States; and
 2. All of the iron, steel, and manufactured goods used in the project are produced or manufactured in the United States.
 - i. Production in the United States of the iron or steel used in the project requires that all manufacturing processes must take place in the United States, except metallurgical processes involving refinement of steel additives. These requirements do not apply to iron or steel used as components or subcomponents of manufactured goods used in the project.
 - ii. There is no requirement with regard to the origin of components or subcomponents in manufactured goods used in the project, as long as the manufacturing occurs in the United States.
- b. Paragraph (a) of this section shall not apply where the Recovery Act requires the application of alternative Buy American requirements for iron, steel, and manufactured goods.

Condition

During our testwork over compliance with the Procurement, Suspension, and Debarment requirements, we noted that DDOT was not consistently adhering to their policies and procedures, nor were they in full compliance with the requirement. Specifically, we noted the following:

- Two (2) of the forty (40) procurement selections related to projects funded by the American Recovery and Reinvestment Act (ARRA) of 2009. In the two aforementioned samples that we selected for testing, management was unable to provide documentation to support that DDOT was monitoring compliance with the Section 1605 of ARRA requirement.
- For one (1) out of the forty (40) procurement selections, there was no evidence that the District ensured that the vendor was not suspended or debarred prior to entering into the secured transaction. We performed an independent search and noted the vendor was not suspended or debarred.

Cause

DDOT did not adhere to the federal requirement to ensure that an entity and its principals are not suspended or debarred or otherwise excluded from participating in the transaction prior to executing the contract.

In addition, although DDOT has standard language related to the specific requirement of Section 1605 in their contracts, they do not have policies or procedures in place to ensure that the contractors are in compliance with the criteria outlined in Section 1605 of ARRA, nor do they maintain any documentation that this requirement has been met.

Effect

Without adequate controls to ensure compliance with the Procurement, Suspension, and Debarment compliance requirements, there is an increased risk that contractors will purchase iron, steel, and manufactured goods used in ARRA funded projects outside the borders of the United States of America.

Additionally, suspended or debarred vendors could be paid with Federal funds without being detected by management.

Recommendations

We recommend that DDOT management establish policies and procedures over the specific requirements of Section 1605 of ARRA and continuously monitor and maintain documentation that contractors are purchasing all iron, steel, and manufactured goods used in such projects that are produced in the United States. Additionally, we recommend that DDOT adhere to its existing policies and procedures regarding the verification that vendors are not suspended or debarred prior to entering into a secured transaction.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

KPMG:

Two (2) of the forty (40) procurement selections related to projects funded by the American Recovery and Reinvestment Act (ARRA) of 2009. In the two aforementioned samples that we selected for testing, management was unable to provide documentation to support that DDOT was monitoring compliance with the Section 1605 of ARRA requirement.

RESPONSE:

In response to the 2013 Single Audit, DDOT accepted and acknowledged the findings based on the specific requirements of Section 1605 of ARRA. DDOT proposes the following corrective measures to ensure proper monitoring of Buy America requirements to ensure no further findings:

1. If there are remaining invoices for ARRA funded projects, they will be rejected, as this funding source is not available. Invoices with compliant documentation, that may be submitted, or a claim if deemed favorable, shall be funded via local funds.
2. DDOT Program Managers, Inspectors, Construction Managers and Consultant personnel shall be mandated to monitor project expenditures more closely to ensure that Buy America requirements are met on all projects; and that a liquidation period is stated and adhered to, as appropriate.
3. DDOT will implement comprehensive training for all programmatic staff on Buy America requirements to ensure all personnel who are responsible for contract monitoring are clear when monitoring future contracts.

KPMG:

For one (1) out of the forty (40) procurement selections, there was no evidence that the District ensured that the vendor was not suspended or debarred prior to entering into the secured transaction. We performed an independent search and noted the vendor was not suspended or debarred.

RESPONSE:

DDOT accepts and acknowledges this finding. It should be noted that the selected sample was for a railroad, which was thought to be classified similar to other quasi-government entities wherein debarment status is

not verified prior to implementing any transactions. Moving forward, DDOT will ensure that the classification of contractors is clear at the onset so as to be clear as to which require debarment evidence and which do not.

<i>Finding Number</i>	2014-037
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Activities Allowed or Unallowed Eligibility Period of Availability Reporting Special Tests and Provisions – Disbursements To or On Behalf of Students Special Tests and Provisions – Return of Title IV Funds Special Tests and Provisions – Enrollment Reporting
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

As part of our audit methodology, which included the A-133 audit for the University of the District of Columbia (UDC), we executed tests of General Information Technology (GITC) controls in the areas of access to programs and data, program changes, program development, and computer operations. Our internal framework for identifying and testing GITCs can be mapped to several commonly accepted information technology risk and control frameworks including those published by the National Institute of Standards and Technology (NIST), Information Systems Audit and Control Association (ISACA), and the International Standards Organization (ISO). For purposes of our reporting of findings for the University, we have provided relevant criteria below.

- NIST Special Publication (SP) 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations, August 2009, section Access Control (AC-2)
- NIST SP 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations, August 2009, section Access Control (AC-5)
- NIST SP 800-12, Revision 3, An Introduction to Computer Security: The NIST Handbook, October 1995

Condition

The University relies on automated system configuration and interface controls within the Banner system in order to comply with various requirements of the Student Financial Assistance program, including Activities Allowed or Unallowed, Eligibility, Period of Availability, Reporting, Special Tests and Provisions – Disbursements To or On Behalf of Students, Special Tests and Provisions – Return of Title IV Funds, and Special Tests and Provisions – Enrollment Reporting.

During fiscal year 2011, the University implemented a new financial system, Banner. While improvements were made over general information technology controls related to Banner, we noted the following weaknesses continued to exist during our fiscal year (FY) 2014 audit:

Banner (and Supporting Infrastructure) Generic Accounts

During our fiscal year 2013 audit, it was determined that generic accounts with update or greater access within the environment did not have controls in place to either (a) log and monitor the activities taken under these accounts or (b) rotate the passwords on a periodic basis. Additionally, 13 accounts at the database/application layer and four at the operating system layer were no longer required to be active within the environment.

During our fiscal year 2014 audit, we noted that on September 15, 2014 access was revoked to all but one of the accounts noted as exceptions in fiscal year 2013. Additionally, on August 1, 2014, a policy entitled the *Application System Account Password Change Policy* was implemented to require a semiannual rotation of the passwords to generic/system accounts for which password expiration could not be enforced. However, as operating system accounts were not in-scope for this policy, passwords were not rotated consistently for the generic/system accounts at this layer. As a result, this deficiency was not fully remediated as of the end of fiscal year 2014.

Segregation of Duties – Banner Developers

During our FY 2012 audit, it was determined the two University developers served as the primary system administrators for the UDC production database supporting the Banner application. Management implemented a procedure requiring that the individual responsible for developing the change not to be the same individual responsible for migrating the change into production. However, the two developers retained access to migrate changes to production through administrative privileges on both the operating system and database supporting the Banner application. As a result, these developers were able to circumvent this procedure without detective controls to identify if such instances were to occur.

During our fiscal year 2014 audit, per inquiry of management, we noted that the extent of in-house development was minimal as the majority of changes applied to the application were provided as patches by the Banner vendor, SunGard. However, the combination of responsibilities and levels of access to the Banner environment held by these two individuals remained the same, and as such, the deficiency was not remediated as of the end of fiscal year 2014.

Banner Application Periodic Access Review

During our fiscal year 2013 audit, we noted that the periodic review of access process for Banner was not performed timely for certain Banner systems. One department completed the first review five months after the start of the process. The review was never completed for all other departments.

During our fiscal year 2014 audit, we noted that a revised procedure document was implemented to require that an annual periodic review of access be performed. This review was completed in September 2014. However, upon reviewing the documentation in support of this review, it was determined that there were a significant number of changes requested as part of the review. Based on the volume of changes identified, an annual review cycle was determined to be insufficient to address the risk that access is commensurate with job responsibilities, whether due to changes in responsibilities or misconfigurations of access.

Cause

Banner (and Supporting Infrastructure) Generic Accounts

Until September 2014, management's periodic access review did not include an evaluation of the necessity of active generic accounts managed by IT. As a result, the accounts that were no longer required to be active were not disabled.

Additionally, due to lack of policy requirements to require password rotation for accounts at the operating system layer supporting Banner, rotation for the accounts noted in the condition did not occur during fiscal year 2014.

Segregation of Duties – Banner Developers

Management has implemented a process to procedurally segregate the responsibilities for development and implementation into production for changes made to the database supporting the Banner application. However, due to resource constraints, management has not allocated the resources required to develop and implement change management controls that fully mitigate the risks associated with the condition including, but not limited to, the segregation of program development roles from production system administration roles among different individuals.

Banner Application Periodic Access Review

Due to resource constraints and management's perception of the risk, management did not prioritize resources to perform a more effective periodic review of access. Additionally, the volume of changes requested as part of the review indicates potential flaws in the processes to revoke access from individuals at the time of termination or transfer.

Effect

Without the existence of proper controls to either restrict access to the passwords of generic accounts (including password rotation) or to log, approve, and monitor the activities under these accounts, the risk is increased that changes to application programs and data in the production environment may be applied in a manner that has an adverse impact on the availability or processing/data integrity of the application without management's awareness or approval.

The lack of segregation of program development roles from production system administration roles increases the risk of changes to application programs and data and the configuration of the underlying database.

Lastly, by not performing a review of user accounts on a regular basis, the risk exists that:

- Employees may have access to the system that does not correspond with their current job responsibilities and/or may present a conflict of interest. This access could allow a person to advertently or inadvertently use various functions to alter the integrity of application data in an unauthorized manner.
- A separated person (or another person with knowledge of this active user account) with an active user account present within the application, may be able to use this account to alter the integrity of application data in an unauthorized manner.

Recommendation

We recommend that management implement the following actions:

Banner (and Supporting Infrastructure) Generic Accounts

- Ensure that the periodic review of access is performed in a consistent and timely manner to ensure that the access of generic/system accounts is revoked when no longer required.
- Apply the Application System Account Password Change Policy, which requires semi-annual rotation of passwords, to accounts with administrative access at the operating system level supporting the Banner system.

Segregation of Duties – Banner Developers

- Develop and implement one or more of the following activities into existing change management processes and controls:
 - Logical segregation of program development roles from production system administration roles among different individuals; or,
 - Implementation of monitoring controls over the activities of the developers (and other individuals) with administrative access. The monitoring should be performed by an individual without production database administrative access and based on a system generated listing of changes applied to the Banner application. Documentation of these monitoring controls should be maintained and include a signature approval of the review as well as notations of the appropriateness of the actions taken by the developers within the database. Further, any suspicious activity, such as modifications to functionality or data without corresponding change request approvals, should be researched and include a documented resolution, as necessary.
- Provide and discuss procedures with control performers. Monitor control performer adherence to the procedure on a periodic basis.

Banner Application Periodic Access Review

- Establish a quarterly or semi-annual process to review access rights that are deemed critical by management to ensure that inappropriate access is detected and remediated in a timely manner.
- Monitor to ensure that controls for revoking access from individuals that separate from the entity or transfer to other job functions are designed and operating effectively.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

Management concurs with the findings as reported by the auditors. We will further assess the deficiencies in general information technology controls as reported by the independent auditors and consider their

recommendations for improvement. After thoroughly analyzing the factors contributing to each deficiency, we will develop and implement the most feasible and practicable corrective actions. To the extent that measures have already been put in place to remediate findings, we will continue in our efforts to fully resolve all reported issues and will monitor the effectiveness of those measures to prevent recurrence of findings.

<i>Finding Number</i>	2014-038
<i>Prior Year Finding Number</i>	2013-031
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

The OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our testwork over fiscal year 2014 cash drawdowns, for the Student Financial Assistance (SFA) cluster we noted for 3 of the 9 samples selected, the drawdowns were approved after the reimbursement was received.

Cause

Management has a control in place for the accounting manager, or controller, to review the drawdown documentation prior to the draw being requested. According to University management, the University did not have adequate staffing in order to ensure the controls in place over the cash management process were being performed timely.

Effect

Without adequate controls in place over cash drawdowns, non-compliance with cash management requirements could occur and not be detected by management timely.

Recommendation

We recommend the University strengthen its internal controls to ensure its procedures over cash drawdowns are being followed.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Finance Office management agrees with this finding. The periods cited in the finding were during personnel transitions (i.e. there was no Senior Accountant, Accounting Manager, or Controller. In addition, there were several Staff Accountant vacancies). During fiscal year 2014, new accountants were hired, including the Accounting Officer who was hired in mid-July 2014.

The Accounting Officer has worked with the staff to ensure that drawdown requests are properly supported, adequately reviewed, and submitted timely. Management is in the process of developing desk procedures to include the accurate preparation and sufficient review of the drawdown requests.

<i>Finding Number</i>	2014-039
<i>Prior Year Finding Number</i>	2013-037
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Eligibility Special Tests and Provisions – Institutional Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 34 CFR 668.32 (f), a student is eligible to receive Title IV, HEA program assistance if the student maintains satisfactory academic progress in his or her course of study according to the institution's published standards of satisfactory academic progress (SAP) that meet the requirements of §668.34.

Condition

The University disbursed \$40,164,345 in student financial assistance in fiscal year 2014. We selected 65 students who received \$805,944 in student financial assistance and noted:

- For 5 students who received \$67,372 in student financial assistance, the students did not maintain satisfactory academic progress and should have been suspended from receiving federal aid due to the student not meeting the minimum number of credit hours completed during a single semester. The federal financial assistance disbursed for these students resulted in question costs of \$67,372.
- For 23 students who received \$207,135 in student financial assistance, the University incorrectly calculated the cost of attendance (COA). However, this did not result in excess financial assistance being awarded.
- For 9 students who received \$131,713 in student financial assistance, support could not be provided to confirm the student's in-state residency status. We recalculated these students' cost of attendance based on an out-of-state status and noted that this did not result in excess financial assistance being awarded.

Cause

Management does not have sufficient controls, policies and procedures to ensure compliance with all applicable eligibility requirements. Specifically, we noted the following: (1) The University's system controls to ensure all SAP policy requirements are met are not configured to include all requirements within the policy; (2) The University's system does not calculate the COA consistently between students with the approved COA budgets; (2) Documentation is not maintained to substantiate the residency status provided to students.

Effect

The University is not able to demonstrate compliance with the Eligibility requirements of the Student Financial Assistance cluster.

Recommendation

We recommend the University strengthen controls, policies and procedures that ensure compliance with the requirements of the Student Financial Assistance cluster. These include ensuring: (1) compliance with all applicable eligibility requirements prior to the disbursement of student financial aid and, (2) appropriate documentation is maintained by University personnel to support compliance with the requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

Known: \$67,372

Views of Responsible Officials

Satisfactory Academic Progress (SAP): The University will make updates to its existing SAP Policy to ensure the sample chart included clearly states it is to be used as a general guide. However, the University does not agree with this finding. While the University and auditor interpretations differed, the SAP Policy was applied correctly for the five student noted according to Federal Regulation Federal Regulation 34 CFR 668.16(e). All applicable cumulative hours earned were included in the course completion rates calculation. As such, each of the five aforementioned students met the 67% course completion rate requirement.

Cost of Attendance (COA): It is important to note that the COA is an estimated student budget and in some instances variances are permitted. Please refer to the Federal Student Aid Handbook, Cost of Attendance Chpt.2, pgs. 3-33 & 3-34. If a student does not receive loans for the entire academic year or waives the University sponsored health insurance the University is permitted to remove or reduce these allowances. Going forward, the University will review all budget components to ensure consistency amongst student groups.

Proof of residency: Starting in fiscal year 2015, the University appointed a designated residency coordinator who is responsible for validating all residency documentation. The University has also implemented a centralized document imaging system that serves as a permanent archive for the retrieval of all residency documentation.

<i>Finding Number</i>	2014-040
<i>Prior Year Finding Number</i>	2013-036
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

2 CFR 215.21 – Standards for financial management systems. (b) Recipients' financial management systems shall provide for the following. (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest. (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

34 CFR 690.83 – Fiscal control and fund accounting procedures. (a) An institution shall follow provisions for maintaining general fiscal records in this part and in 34 CFR 668.24(b). (b) An institution shall maintain funds received under this part in accordance with the requirements in § 668.164.

Condition

The University disbursed \$40,164,345 in student financial assistance in fiscal year 2014. Annually, the University is required to submit the Fiscal Operations Report and Application to Participate (FISAP) report in order to participate in certain federal campus-based programs. We traced and agreed the data included in the FISAP report to supporting documentation provided by the University and noted the following discrepancies:

- Part IV *Federal Supplemental Educational Opportunity Grant (FSEOG) Program for Award Year July 1, 2013 through June 30, 2014*, we noted the following:
 - No support was provided for Line 8 Section B, resulting in an unsupported balance of \$19,622.
 - Line 15 Section D did not agree with the support provided by \$6,565.
- Part V *Federal Work-Study (FWS) Program for Award Year July 1, 2013 through June 30, 2014*, we noted the following:
 - No support was provided for Line 8 Section B, resulting in an unsupported balance of \$9,768.
 - Line 15 Section D did not agree with the support provided by \$5,923.
- Part VI *Program Summary for Award Year July 1, 2013 through June 30, 2014*, we noted the following:
 - Line 1 column (g) did not agree with the support provided by 2.

- Line 12 column (g) did not agree with the support provided by 1.
- Line 12 column (c) did not agree with the support provided by 1.

During our testing over the payment submission reporting requirements for the Common Origination and Disbursement (COD) system, we selected 65 students who received a total of \$265,221 in Pell awards in fiscal year 2014. We noted the following:

- For 4 students who received \$15,525 in Pell awards, the disbursement was not transmitted to the COD system within the 30 day requirement.
- For 1 student who received \$3,529 in Pell awards, the transaction number per COD did not match the transaction number per the University's records.

We noted that the University submits the SF-425 report quarterly and SF-270 report on an as-needed basis for CFDA #93.925, under which the University incurred expenditures of \$732,911 during fiscal year 2014. During our testing of two of the University's quarterly SF-425 report submissions during fiscal year 2014, we noted the following:

- For the March 2014 report, we noted UDC incorrectly excluded \$9,981 in expenditures related to grant 6F99A3, Scholarship for Disadvantaged Students, we noted that documentation could not be provided to evidence that the report was reviewed prior to submission.
- For the September 2014 report, the support provided indicated a total of \$282,951 of expenditures should have been included in the report; however, these amounts were omitted. Additionally, support could not be provided for \$31,736 of expenditures included in the report.

During our testing of the University's SF-270 report submission, we noted the University reported \$11,420 more in expenditures than what had been incurred per BANNER in the report, on line 'a'.

Cause

The University has a control in place for management to review the FISAP, SF-425 and SF-270 reports prior to submission. However, these controls were not operating at the appropriate level of precision to detect inaccuracies in the report.

Effect

The University is not in compliance with student financial assistance cluster reporting requirements.

Recommendation

We recommend the University strengthen existing controls in place to ensure the University is in compliance with the reporting requirements of the student financial assistance cluster.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Fiscal Operations Report and Application to Participate (FISAP): Going forward, the University will maintain comprehensive support for each section of the FISAP Report. In addition, the Director of Financial Aid will conduct a secondary review of all FISAP sections and supporting documentation to ensure accuracy prior to submission, another level of review will now include the Assistant Provost for Enrollment Management. The Office of Finance will also reconcile for both academic and fiscal year to ensure expenditure's reported agree with the general ledger.

Pell Reporting: We have noted that for sample #10 the Pell disbursement record was accepted by COD on 1/28/14. However, there was some conflict regarding the receipt of this documentation. Additionally, the remaining three Pell disbursement transmission records noted as exceptions were transmitted to COD prior to the required 30 day reporting requirement. However, per the COD batch history page for each sample the transmission records rejected numerous times. As a result, the accepted record was processed by COD after the 30 day window. Going forward, management will implement a secondary review process to ensure rejected records are resolved more timely.

Financial Report Reporting: The Finance Office management agrees with this finding as it relates to the inaccuracies reported on the financial status (SF-425) and request for advance or reimbursement (SF-270) reports. The periods cited in the finding were during personnel transitions (i.e. there was no Senior Accountant, Accounting Manager, or Controller. In addition, there were several Staff Accountant vacancies).

The Accounting Officer has worked with the staff to minimize the risk of errors and to ensure that the reports are accurate. Management is in the process of developing desk procedures to include the accurate preparation and sufficient review of the SF-425 and SF-270 reports prior to submission to the grantor.

<i>Finding Number</i>	2014-041
<i>Prior Year Finding Number</i>	2013-032
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests and Provisions – Verification
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) 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.

34 CFR 668.54(a)(1) states “Except as provided in paragraph (b) of this section, an institution must require an applicant whose FAFSA information is selected for verification by the Secretary, to verify the information specified by the Secretary pursuant to § 668.56.”

Condition

Control:

During our test of design and implementation of controls in place over the verification compliance requirement, we noted that although the University has a control in place requiring the Executive Director of Student Financial Aid (SFA) to review a sample of verifications performed by the University’s SFA Office personnel, the Executive Director’s review of the student’s verification information failed to detect that the Adjusted Gross Income (AGI) per the Institutional Student Information Record (ISIR) did not agree to the student’s tax transcript. In addition, we noted errors in our compliance sample that were not detected by the University’s Office of Student Financial Aid during its verification procedures. As the Executive Director only reviews a sample of verifications performed by the SFA Office personnel, sufficient controls were not in place to ensure that errors did not exist in applications not reviewed by the Executive Director.

Compliance:

The University of the District of Columbia (University) disbursed \$40,164,345 in student financial assistance in fiscal year 2014. During our compliance testwork over the verification requirement, we tested a sample of 65 students who received \$351,105 in federal student financial assistance and were required to have the information reported on the ISIR verified by the University. During our testwork, we noted the following:

- For 2 students who received \$11,349 in student financial assistance, the number of family members per documentation provided did not match the information reported on the ISIR.
- For 1 student who received \$1,274 in student financial assistance, the student’s AGI per the tax return did not match the information reported on the ISIR.
- For 1 student who received \$1,349 in student financial assistance, the U.S. income tax paid per the tax return of the student’s parent did not match the information reported on the ISIR.

- For 1 student who received \$8,526 in student financial assistance, the child support paid per the documentation provided did not match the information reported on the ISIR. This student is also included in the first bullet above.
- For 1 student who received \$13,211 in student financial assistance, the student's education credit per the tax return did not match the information reported on the ISIR.

Cause

Controls are not in place and operating effectively over the verification of student's information reported on the ISIR.

Effect

The University did not comply with the verification requirements of the Student Financial Assistance cluster. In addition, as data corrections are not properly identified, such corrections are not being submitted, as required, to the central processor.

Recommendation

We recommend the University establish adequate controls over verifications that ensure compliance with the requirements of the Student Financial Assistance cluster. This includes (1) ensuring that the verifications performed by counselors who are properly trained and knowledgeable about verification procedures, (2) that the verifications are sufficiently reviewed such that all errors in the ISIRs are detected, and; (3) data corrections are properly submitted to the central processor.

Related Noncompliance

Material noncompliance

Questioned Costs

\$27,183

Views of Responsible Officials

The University of the District of Columbia agrees to the findings and has recalculated the verified files in error to assess financial liability of the questionable costs. Beginning in the 2014-15 AY, the Financial Aid Office's Corrective Action Plan included requiring counselors to print the corrected ISIR to ensure the anticipated correction was returned. In addition, beginning in the 2015-2016 (AY) a more comprehensive verification checklist will be implemented to ensure all required verification data elements are reflected with the corresponding tax transcript type and tax lines. Lastly, a compliance team is being formed which will allow the capacity to significantly increase secondary reviews of verifications to ensure accuracy and confirm an updated ISIR has been processed that list the appropriate correction(s).

<i>Finding Number</i>	2014-042
<i>Prior Year Finding Number</i>	2013-033
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests and Provisions – Enrollment Reporting (FFEL and Direct Loan)
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

34 CFR § 682.610 Administrative and fiscal requirements for participating schools.(a) General. Each school shall—(1) Establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in the regulations in this part and in 34 CFR part 668; (2) Follow the record retention and examination provisions in this part and in 34 CFR 668.24; and (3) Submit all reports required by this part and 34 CFR part 668 to the Secretary. (b) Loan record requirements. In addition to records required by 34 CFR part 668, for each Stafford, SLS, or PLUS loan received by or on behalf of its students, a school must maintain— (1) A copy of the loan certification or data electronically submitted to the lender, that includes the amount of the loan and the period of enrollment for which the loan was intended;

34 CFR § 685.309 Administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program. (a) General. A participating school shall—(1) Establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in this part and in 34 CFR part 668; and (2) Submit all reports required by this part and 34 CFR part 668 to the Secretary. (b) Student status confirmation reports. A school shall— (1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who— (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis; (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (iii) Has changed his or her permanent address.

Condition

The University of the District of Columbia (University) disbursed \$28,457,776 in Federal direct loans in fiscal year 2014. During our testwork over Special Tests and Provisions – Enrollment Reporting, we noted the following for 65 students tested who received \$457,565 in Federal direct loans from the University:

- For 1 student who received \$4,701 in Federal direct loans, the lenders were not notified within 60 days of the student’s status change, as required.

- For 2 students who received \$12,990 in Federal direct loans, the withdrawal date per the withdrawal form did not match the effective date per National Student Loan Data System (NSLDS).
- For 2 students who received \$21,774 in Federal direct loans, there was no record of the withdrawal per NSLDS.

Cause

The University does not have adequate policies, procedures and controls in place over the special tests and provision-enrollment reporting process. Specifically, the University's system control to ensure all students with status changes are captured and transmitted to NSLDS timely was not operating effectively.

Effect

The University is not in compliance with enrollment reporting requirements.

Recommendation

We recommend that the University establish controls, policies and procedures that ensure compliance with the requirements of the student financial assistance cluster. These controls should be designed to ensure that: (1) proper supporting documentation is maintained, and; (2) student withdrawals are correctly reported to the NSLDS and lenders in a timely manner.

Related Noncompliance

Noncompliance

Questioned Costs

Known: \$39,465

Views of Responsible Officials

The Office of the Registrar implemented the following controls effective 2014-2015:

- Online Course Withdrawals – Students can withdraw online, from all courses “except” the last course. Students must report to the Registrar's office to withdraw from the last course – Total Withdrawal. Effective spring 2016, a full online Total Withdrawal process is expected to be implemented.
- Secondary Reviews – The Office Manager, the Banner Functional Specialist, the Associate Registrar, the Registrar, and the Financial Aid Representative conducts secondary reviews of the Total Withdrawal Report to ensure that effective dates are consistent in Banner.

National Student Clearing (NSC) House Reporting

- Once monthly Enrollment Reports are uploaded via the NSC, the Associate Registrar and Banner Functional Specialist will review the NSLDS database to ensure accuracy in reporting from NSC. NSC errors or missing transactions will be promptly addressed by the Associate Registrar/Banner

Functional Specialist. Information will be shared with the Associate Director of Financial Aid who will update the NSLDS file.

<i>Finding Number</i>	2014-043
<i>Prior Year Finding Number</i>	2013-035
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests and Provisions – Disbursements To or On Behalf of Students
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

34 CFR § 690.61 Submission process and deadline for a Student Aid Report or Institutional Student Information Record. (a) Submission process. (1) Except as provided in paragraph (a)(2) of this section, an institution must disburse a Federal Pell Grant to an eligible student who is otherwise qualified to receive that disbursement and electronically transmit Federal Pell Grant disbursement data to the Secretary for that student if— (i) The student submits a valid SAR to the institution; or (ii) The institution obtains a valid ISIR for the student. (2) In determining a student's eligibility to receive his or her Federal Pell Grant, an institution is entitled to assume that SAR information or ISIR information is accurate and complete except under the conditions set forth in 34 CFR 668.16(f) and 668.60.

34 CFR § 668.165 Notices and authorizations. (a) Notices. (1) Before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.

Condition

The University of the District of Columbia (University) disbursed \$40,164,345 in student financial assistance in fiscal year 2014. During our testwork over Special Tests and Provisions – Disbursements To or On Behalf of Students requirements, we noted the University uses BANNER, the University's student account information system, to send automatic e-mail notifications to the students through their UDC portal when changes have been made to their account. This includes notifications when funds have been disbursed into the students' account. However, these notifications are not retained by the University to support specific disbursements. Therefore, we noted that for 65 students tested who received a total of \$759,555 in student financial assistance from the University, the University was not able to provide sufficient documentation to support the date each student received a disbursement notification with the required information.

Cause

Management does not have a policy in place to maintain documentation to support compliance with applicable Special Tests and Provisions - Disbursements To or On Behalf of Students requirements related to notification of disbursements to students.

Effect

The University is not in compliance with the Special Tests and Provisions – Disbursements To or On Behalf of Students requirements of the Student Financial Assistance cluster.

Recommendation

We recommend the University establish controls, policies and procedures that ensure that documentation of disbursements to student accounts is properly maintained.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

We do not agree. The University sent electronic email notifications in accordance with Federal Regulations. Please refer to the using electronic processes for notifications and authorizations section of the Federal Student Aid Handbook, Chpt. 2 Disbursing FSA Funds, pg. 4-25. This adherence was demonstrated via the Banner audit screen RUAMAIL which recorded every date the student received a disbursement notification email. The University also proactively sought several students to provide their output email which demonstrated that the Banner disbursement notification job ran successfully. The Federal Regulations do not stipulate the necessity to provide physical copies of individual emails sent to students. We also discussed the possibility of providing these notices. However, due to student privacy laws we did not have the authority to provide this information to a third party without the students signed consent.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-044
<i>Prior Year Finding Number</i>	2013-043
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010)
<i>Grant Award # and Year</i>	S010A130051 (7/1/2013 – 9/30/2014)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Special Tests and Provisions – Comparability
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal Awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program requirements.

Condition

During our testing over DCPS’ compliance with the special tests and provisions – comparability requirements for the Title I program, we noted formula errors in the spreadsheet used to calculate the average student-teacher ratio of Title I middle and high schools. As a result, the initial comparability report that DCPS submitted for the 2013-2014 school year contained errors. We brought the issue to the attention of management, who subsequently revised the report and resubmitted it to the Office of the State Superintendent of Education (OSSE).

Cause

The District has procedures for program management at both DCPS and OSSE to review the comparability spreadsheet for accuracy and to verify compliance. OSSE management granted their approval of DCPS’ comparability compliance by issuing a certification to DCPS. However, management’s review of the spreadsheets did not detect that the federal versus local split of budgeted expenditures was linked to the wrong data for the middle and high schools listed in the spreadsheet because it was not performed at an appropriate level of precision.

Effect

Without effectively designed and implemented internal controls over the calculation of the average student-teacher ratio, there is an increased risk that DCPS may be non-compliant with Federal requirements. We did note that the error identified in the spreadsheet did not impact DCPS’ compliance with comparability requirements for fiscal year 2014.

Recommendation

We recommend that DCPS strengthen management reviews of the comparability requirements to ensure that the spreadsheet is reviewed at a sufficient level of precision to detect and correct any inaccuracies in the formulas within the spreadsheet.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

As noted above, the formula on the spreadsheet was updated and the report submitted with no impact to the Agency's compliance with the comparability requirement. In order to ensure that this issue is corrected going forward, we will recommend that a joint review of the spreadsheet and its related formula occur between DCPS and OSSE, and that upon completion of the review, a template with formulas locked and password protected be sent to the Agency by the State Agency for the data to be populated without manipulation of the formulas.

<i>Finding Number</i>	2014-045
<i>Prior Year Finding Number</i>	2013-078
<i>Federal Program</i>	Special Education Cluster (84.027, 84.173)
<i>Federal Award Number</i>	42173A (7/01/2013-9/30/2015) H027A130127, H173A130006 (7/01/2013 – 09/30/2014) H027A120010-12A, H173A120006 (7/01/2012 - 9/30/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

Per 20 USC 1413(a)(2) and 34 CFR sections 300.203 and 300.204, IDEA, Part B funds received by an LEA cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of State and local funds, below the level of those expenditures for the preceding fiscal year. To meet this requirement, an LEA must expend, in any particular fiscal year, an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or a combination of State and local funds, expended for this purpose by the LEA in the prior fiscal year. Allowances may be made for: (a) the voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel; (b) a decrease in the enrollment of children with disabilities; (c) the termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child has left the jurisdiction of the agency, has reached the age at which the obligation of the agency to provide a FAPE has terminated or no longer needs such program of special education; (d) the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities; or (e) the assumption of costs by the high cost fund operated by the SEA under 34 CFR section 300.704.

Condition

Annually, DCPS completes a maintenance of effort (MOE) calculation to ensure that they expend, in any particular fiscal year, an amount of local funds for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds expended for this purpose in the prior fiscal year. During our review of the current year MOE calculation, we noted that DCPS had a significant increase to their fiscal year 2014 local funding compared to the prior year. The increase is a result of a budget re-alignment implemented in fiscal year 2014 by DCPS, which led them to identify additional locally funded employee positions as special education-related. This resulted in DCPS exceeding their MOE requirement by \$35 million. However, the MOE analysis did not adjust the fiscal year 2013 expenditure totals to include the salaries of those positions that were re-aligned and included in the fiscal year 2014 expenditure total to make the two years of expenditures comparable. In order to test that DCPS was in compliance with the MOE requirement, comparable information for the current and prior fiscal year needs to be provided. As a result, we are unable to determine if the MOE requirement was met for fiscal year 2014.

Cause

During the budget realignment, DCPS did not track the position numbers and titles of the school-based employees that were realigned in the payroll system as special-education related. As a result, DCPS was not able to identify those positions needed to adjust the local expenditure data for fiscal year 2013.

Effect

The local expenditures for fiscal year 2013 and 2014 were not reported consistently and, therefore, were not comparable. As a result, DCPS was not able to demonstrate compliance with the requirements of 34 CFR Section 300.203 and 300.204.

Recommendation

We recommend that DCPS program management revise their MOE calculation process to ensure that the local expenditures for both fiscal years presented are comparable. If MOE requirements will not be met or are not comparable, we recommend that DCPS work with OSSE and the U.S. Department of Education to determine the most appropriate resolution.

Related Noncompliance

We are unable to conclude on compliance due to the scope limitation described above.

Questioned Costs

None.

Views of Responsible Officials

The MOE requirements in the Code of Federal Regulations (34 CFR 300.203), does not require expenditures from the preceding year to be comparable.

The requirement is that funding provided to an LEA under Part B of the Act (IDEA) must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

DCPS has far exceeded this requirement in fiscal year 2014. The OSSE MOE template is formatted each year to capture the state specific categories. The fiscal year 2013 and 2014 MOE template was completed in the correct OSSE format and submitted. In addition, the OSSE has not required or requested DCPS to revise the fiscal year 2013 MOE report to assure "comparability" with the fiscal year 2014. Therefore, based on the aforementioned, the fiscal year 2013/fiscal year 2014 comparison and revision of fiscal year 2013 is not an issue in meeting the DCPS MOE requirement.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-046
<i>Prior Year Finding Number</i>	2013-044
<i>Federal Program</i>	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
<i>Federal Award Number</i>	H126A140011 (10/1/2013 – 9/30/2014)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Department on Disability Services
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulation, and program compliance requirements.

According to 29 USC Section 722 (a) (1), an individual is eligible for Vocational Rehabilitation (VR) services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment.

34 CFR Section 361.45 states that the designated State unit must ensure that the IPE agreed to and signed by the eligible individual or, as appropriate, the individual's representative; and approved and signed by a qualified vocational rehabilitation counselor employed by the designated State unit. It further states that the IPE must be reviewed at least annually by a qualified vocational rehabilitation counselor and the eligible individual or, as appropriate, the individual's representative to assess the eligible individual's progress in achieving the identified employment outcome. Amendments to the IPE do not take effect until agreed to and signed by the eligible individual or, as appropriate, the individual's representative and by a qualified vocational rehabilitation counselor employed by the designated State unit; and

The 29 USC Section 722 (a) (6) code also states that the VR agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless:

- a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time.
- b. The State VR agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experience in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

Condition

We selected a sample of 40 Vocational Rehabilitation (VR) program participants to test the District's compliance with eligibility requirements. Based on our review, we noted that management's controls in

place over compliance with the program's eligibility requirements were not operating effectively to prevent or detect non-compliance. Specifically, we noted the following:

1. For three (3) out of 40 items tested, determination of eligibility was not made within 60 days of date of application and no waiver letter was issued. We noted that in all 3 of these instances, the application was received in a prior fiscal year.
2. For three (3) out of 40 items tested, determination of eligibility was not made within 60 days of application; however, a waiver letter was issued and signed by a VR Councilor but not signed by the client.
3. For one (1) out of 40 items tested, the Individualized Plan for Employment (IPE) was not signed/approved by the client.
4. For one (1) out of 40 items, Application Signature Form was not signed/approved by the client.
5. For one (1) out of 40 items tested, the Application Signature Form was not signed/approved by the VR counselor.
6. For two (2) out of 40 items tested totaling, the IPE was not reviewed within one year of the previous IPE.

We noted that for all of the above instances, we were able to determine that the participants were eligible to receive VR program services, and as such, the related costs were allowable.

Cause

The Department on Disability Services (DDS) did not consistently adhere to established policies and procedures regarding the determination of eligibility, development of IPEs, and maintenance of participant case files.

Effect

The District was not in compliance with the eligibility requirements of the VR program.

Recommendation

We recommend that the District strengthen their controls over the preparation and monitoring of the VR's participant case files to ensure that eligibility determinations and IPEs are completed timely, that IPEs and eligibility determinations receive the required approvals, and that the case files include all relevant documentation and signatures.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

1. The agency concurs with the finding and notes that the delays in eligibility determination did not occur within fiscal year 2014.

2. The agency concurs with the finding. However, would note the following. Only two of the three occurrences were within fiscal year 2014; one occurred in fiscal year 2011. In addition, in fiscal year 2014, the agency took the following steps to address this issue: On June 17, 2014, a new protocol was finalized providing guidance for all staff on the proper steps to take when seeking an extension of the eligibility date, including the need to obtain the applicant's signature to confirm that the person consented to the extension. All staff received training on this protocol on June 19, 2014. In February, 2015, the Quality Assurance and Federal Compliance Unit conducted a review of all cases in which an extension was approved in order to determine the level of compliance with the new protocol. The agency developed a form that will require a supervisor's signature in the electronic case management system, indicating that the supervisor reviewed the case and confirmed that it met all requirements for an extension. This form is in development by the company that manages the agency's case management system and should be active in the electronic case management system by June, 2015. The agency will provide refresher training to all staff in June 2015.
3. The agency concurs with this finding. There is a note on the plan that the client verbally agreed to the plan, likely because the client discussed the plan via telephone. However, this is not adequate. The client's signature should have been obtained. The other case, however, does contain plans, that are attached. This case was handled by the VR counselor who was the first to pilot the agency's electronic case management system, still in development. Although the plan appears different, in terms of formatting. All required elements are included in the plan – see attached.
4. The agency concurs with this finding. However, notes that this application, lacking a client's signature was received in 2012. In 2013, the agency developed and has made widely available in the community, including at all schools and American Job Centers, a paper application. This application is similar to the "referral" that is in this client's file, except that it requires an applicant and, when necessary, a guardian's signature. The agency expects that these measures will prevent this error from recurring.
5. The agency concurs with the finding. However, the agency notes that, although there is a space for the VR counselor's signature on the application, there is no requirement in federal or District regulations, or in any agency policy or procedure that requires a counselor's signature on the application. Therefore, the agency does not concur that an exception is warranted in this instance.
6. The agency concurs with this finding. The agency notes that paid services were not provided for the period of time that there was no active IPE in place. In each instance the client did not see the counselor in order to update the plan. In both cases, the counselor has since been able to get in touch with the person and have them come in for an appointment in order to review their plan, and update, as necessary. The only option in these cases would have been to close the person's case, as an IPE annual review cannot be conducted by the counselor without input from the client.

<i>Finding Number</i>	2014-047
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	DC School Choice Incentive Program (84.370)
<i>Federal Award Number</i>	U370B130001 (12/09/2013 – 12/08/2014)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Period of Availability
<i>Finding Related to ARRA</i>	No

Criteria

Per authorization obtained from the U.S. Department of Education, DCPS was permitted to drawdown fiscal year (FY) 2013 funds for activities performed in the period of October 1, 2012 through March 26, 2014.

Condition

The DC School Choice Incentive Program incurred \$18,570,483 in payroll expenditures during fiscal year 2013 that were reported on the District of Columbia's fiscal year 2014 SEFA. During our testing over DCPS' compliance with the period of availability requirements for the DC School Choice Incentive Program, we noted the PeopleSoft 485 report generated to determine the amount of the draw request contained payroll expenditures incurred from September 23, 2012 to December 14, 2012. As the period of availability began October 1, 2012, eight days of payroll costs totaling \$2,073,367 were requested for reimbursement that were outside of the period of availability, as authorized by the U.S. Department of Education for this grant award.

Cause

Controls were not in place and operating effectively over the period of availability of program expenditures. Specifically, during the preparation of the journal entry in which the funding is transferred from local funding to DC School Choice Incentive Program funding, the PeopleSoft 485 report is the primary evidence for the amounts to be reclassified. Management within the District's OCFO Budget Department and the OCFO Accounting Department both perform reviews of the 485 report in the process leading up to the reclassification of the expenditures to federal funds within the SOAR general ledger system. Management review of the PeopleSoft 485 report did not detect that there was a period in the beginning of the year for which pre-award costs would not be covered by the period of availability for this grant award.

Effect

Without effective controls over the period of availability of the program expenditures, there is an increased risk that DCPS may be non-compliant with Federal requirements.

Recommendation

We recommend that DCPS strengthen management's review of the period of availability requirements to ensure that the spreadsheet used to prepare the reimbursement requests is reviewed at a sufficient level of

precision to detect and correct any out of period expenditures included within the expenditures requested for reimbursement from the U.S. Department of Education.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The payroll expenditures incurred in fiscal year 2013 were reported on the fiscal year 2014 SEFA due to the fact that the grant application was submitted late in fiscal year 2013 and approved by the Department of Education in fiscal year 2014. As a result of this, the Department of Education approved the expenditures that were incurred in fiscal year 2013 as pre-award costs and these funds were subsequently drawn after approval to do so was received by DCPS in fiscal year 2014. Going forward there is a need for the DCPS grant application to be submitted before or early in the fiscal year in which the expenditures are expected to be incurred to ensure timely approval of the application so that the expenditures are incurred within the period of availability noted on the grant award document and not as pre-award costs.

We concur that the first pay period included in the submission included expenditures outside of the period of availability. We will ensure that the updated policies and procedures manual reflects guidelines for the proper reconciliation of payroll expenditures when a pay period encompasses two fiscal years.

<i>Finding Number</i>	2014-048
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	DC School Choice Incentive Program (84.370)
<i>Federal Award Number</i>	U370C130001 (12/6/2013 – 12/5/2018)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal Awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program requirements.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals, as defined in 2 CFR section 180.995 and agency adopting regulations, are not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) (Note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS) and available at <https://www.sam.gov/portal/public/SAM/>), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition

The Office of the State Superintendent of Education (OSSE) had total subrecipient expenditures of \$5,449,742 for the D.C. School Choice Incentive program in fiscal year 2014. During our testwork over procurement and suspension and debarment requirements, we tested a sample of eight (8) subawards totaling \$1,096,492 in total subaward value. For one (1) subaward of \$99,471, OSSE could not provide evidence that they followed their procedures to verify that the vendor was not suspended or debarred by the Federal Government prior to issuing the subaward.

Cause

OSSE management has a process in place to check the System for Award Management (SAM) and update the entity's SAM status and expiration date in an internal tracking document prior to the issuance of a grant award notification (GAN) to a subrecipient. For the exception noted, OSSE management did not update the subrecipient's SAM expiration date prior to issuing the GAN. As such, management approving the GAN did not follow OSSE's procedures to ensure the entity's SAM status was appropriately updated prior to signing the GAN.

Effect

Without adequate internal controls over the Suspension and Debarment requirements, suspended or debarred vendors could be paid with Federal funds without being detected by management.

Recommendation

We recommend that management strengthen its internal controls over Suspension and Debarment to ensure that procurement personnel obtain appropriate documentation that vendors are not suspended or debarred prior to issuing GANs to subrecipients.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Our Enterprise Grants Management System (EGMS) is now fully operational. The central data verification tool for suspension and debarment in the System for Award Management has been integrated into EGMS. As a result, this functionality prevents the issuance of Grant Award Notifications (GANs) or expenditures from being reimbursed to subgrantees without an active and non-exclusory SAM registration status of good standing.

<i>Finding Number</i>	2014-049
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Teacher Incentive Fund Program (84.374)
<i>Federal Award Number</i>	S374A120052 (10/1/12 – 9/30/14)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per OMB Circular A-87, Attachment B, Paragraph H:

“(3) 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 periodic 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.

(4) 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 which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

Condition

In fiscal year 2014, the District of Columbia Public Schools (DCPS) had \$8,400,781 in payroll and benefits expenditures for the Teacher Incentive Fund (TIF) program. During our testwork over the activities allowed or unallowed and allowable costs/costs principles requirements, we noted that management’s process for documenting employee time and effort spent on certain program activities was not in compliance with the standards prescribed by OMB Circular A-87. Specifically, we noted the following:

1. The TIF program charged \$1,121,544 in payroll costs for teacher and principal leadership development training. Teachers and principals were released from their primary responsibilities in order to participate in this training for a portion of the school year. Program management does not have a process in place to track the actual time worked on these activities. The amount charged to the program was determined by calculating 50% of the budgeted salaries for the teachers and principals participating in the leadership development training. Further, although we noted that management reviews this calculation for accuracy, this review is not documented.
2. The TIF program charged \$1,906,075 in payroll and fringe benefit costs for employees participating in leadership development activities under the Mary Jane Patterson Fellowship program and other staff performing administrative functions for the program. Per discussion with program management, these employees worked 100% of their time on TIF program activities; however, management does not have a process in place to prepare semi-annual certifications for these employees.

Additionally, we noted that key controls implemented by management over the accuracy of teacher salary increases, which totaled \$3,659,834 in fiscal year 2014, and bonuses, which totaled \$1,711,944, were not sufficiently documented. To determine the amount of the increases, the IMPACT team creates a spreadsheet calculating the number of steps each teacher should advance on the salary scale based on their final IMPACT rating from the previous school year. To determine the amount of bonuses to be awarded each year, the IMPACT team calculates the bonus amounts according to the specifications in the approved TIF project narrative. The IMPACT Director, Manager, Coordinators, and Analyst each spot-check a sample of offers to ensure that the amount of the salary increase and bonus for each teacher is accurately calculated. However, management does not document the various levels of review of the spreadsheet to verify the accuracy of the calculations.

Cause

TIF program management have not designed and implemented appropriate controls to ensure that employee time and effort charged to federal awards is accurate and documented in accordance with the standards prescribed by OMB Circular OMB A-87. Further, DCPS charged a department that was inexperienced with federal grants management and cost principles to manage the program.

Effect

DCPS was not in compliance with the allowable costs/activities compliance requirements for the TIF program.

Recommendation

We recommend that DCPS implement processes and controls to review and certify the time and effort charged to the TIF program, and that the payroll and fringe benefit costs charged are representative of actual time incurred on allowable program activities. Additionally, we recommend that DCPS involve program management possessing the requisite experience and training in federal awards administration to ensure compliance with federal cost principles. Further, we recommend that management document all reviews of spreadsheets and calculations used to determine charges to federal awards.

Related Noncompliance

Material noncompliance

Questioned Costs

Unable to be determined

Views of Responsible Officials

We concur that the process for documenting employee time and effort spent on certain program activities was not in compliance with the standards prescribed by OMB Circular A-87. To address this finding, DCPS has already had all TIF-funded employees (including Mary Jane Patterson Fellowship and staff performing administrative functions for the program) sign Time and Effort Reports for October 1, 2014 through March 30, 2015. We will continue to have TIF-funded employees sign Time and Effort Reports every six months throughout the duration of the grant.

Moving forward, DCPS will also put a process in place to track the actual work time that these teachers spend on TIF-funded activities. We will have a process that documents our review process of tracking this work time.

We concur that management does not document the various levels of review of the spreadsheet to verify the accuracy of the calculations for teacher salaries and bonuses. Moving forward, the IMPACT team will document the various levels of review to verify the accuracy of the calculations. The IMPACT Director will be responsible for documenting the IMPACT team's review of the spreadsheet calculating the number of steps each teacher should advance on the salary scale. The Benefits and Compensations Team in the Human Resources division of the Office of Human Capital has already started documenting their review of the teacher salary increases.

<i>Finding Number</i>	2014-050
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Teacher Incentive Fund Program (84.374)
<i>Federal Award Number</i>	S374A120052 (10/1/12 – 9/30/14)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

The Teacher Incentive Fund (TIF) program *Non-Federal and Non-TIF Federal Program Funds Budget Narrative*, which is incorporated by reference into the grant agreement, required that the District of Columbia Public Schools (DCPS) Office of Human Capital (OHC) provide a combination of local and federal Race to the Top funds in the amount of \$12,605,741 toward the TIF program.

Condition

DCPS reports its compliance with the matching requirements in the annual performance report. During our testwork over DCPS compliance with the matching requirements set forth in the *Non-Federal and Non-TIF Federal Program Funds Budget Narrative*, as reported in its annual performance report, we noted the following:

1. DCPS used budgeted, rather than actual expenditure amounts to support the matching contributions for salaries, teacher raises, and fringe benefits. With the assistance of management, we identified a total of \$11,498,081 in actual local and Race to the Top federal expenditures recorded in the general ledger that were incurred to operate the TIF program. As this is less than the required matching amount of \$12,605,471, the matching requirement was not met.
2. DCPS identified \$5,703,866 in federal DC School Choice Incentive Program (SCIP) funds to support the matching requirements related to bonuses. However, the *Non-Federal and Non-TIF Federal Program Funds Budget Narrative* did not allow for the use of SCIP funds to meet the matching requirement. DCPS did not obtain approval from the Department of Education to use funds other than local or Race to the Top federal funds to meet the matching requirements. Management identified \$240,000 in bonuses paid from local or federal Race to the Top funds.

Cause

TIF program management implemented a control to review the matching expenditures reported in the annual performance report to determine compliance with matching requirements. However, this control is not designed appropriately to ensure that matching amounts reported agree to actual expenditure data rather than budgeted amounts, and that only allowable sources of expenditures are counted toward the match.

Effect

DCPS was not in compliance with the matching requirements for the TIF program.

Recommendation

We recommend that DCPS strengthen internal controls to ensure that calculations of matching requirements are based on actual expenditure data, and include only those sources of expenditures specified in the *Non-Federal and Non-TIF Federal Program Funds Budget Narrative*. Additionally, we recommend that DCPS involve program management possessing the requisite experience and training in federal awards administration to ensure compliance with federal matching requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

Unable to be determined

Views of Responsible Officials

We concur that DCPS used budgeted expenditure amounts to support the matching contributions for salaries and fringe benefits, but we used actual expenditure amounts for teacher base salary increases. Throughout the duration of the grant, we will use actual expenditure amounts to support the matching contributions for salaries and fringe benefits for all employees funded through the TIF grant.

We concur that DCPS did not obtain approval from the Department of Education to use funds other than local or Race to the Top federal funds to meet the matching requirements. Moving forward, we will coordinate with our Office of the Chief Financial Officer to ensure that local or federal Race to the Top funds are used to support matching requirements related to bonuses, in accordance with the *Non-Federal and Non-TIF Federal Program Funds Budget Narrative*.

<i>Finding Number</i>	2014-051
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	State Fiscal Stabilization Program – Race to the Top (84.395)
<i>Federal Award Number</i>	S395A100048 (9/24/2010 – 6/30/2015)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

OMB Circular A-87, Attachment A, Section C states the following:

“To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.”

Condition

The District of Columbia Public Schools (DCPS) State Fiscal Stabilization – Race to the Top program charged a total of \$18,800 fiscal year 2013 payroll expenditures to the fiscal year 2014 grant. Eight days from the first bi-weekly pay period in fiscal year 2014 grant occurred in fiscal year 2013. Although an adjustment was made to exclude all fiscal year 2013 payroll expenditures from the fiscal year 2014 grant, the adjustment was inaccurate, which resulted in one day of fiscal year 2013 payroll expenditures being charged to the fiscal year 2014 grant.

Cause

Controls are not operating effectively over the review of payroll charges to the grant. Specifically, DCPS management did not perform an effective review to ensure costs previously charged to the grant in the prior fiscal year were not charged to the grant again in the subsequent fiscal year.

Effect

DCPS was not in compliance with Allowable Costs/Cost Principles requirements.

Recommendation

We recommend that DCPS strengthen its internal controls to ensure costs charged represent valid expenditures and are charged to the grant in the proper period.

Related Noncompliance

Noncompliance

Questioned Costs

Known: \$18,800

Views of Responsible Officials

Although the costs were charged to the grant in fiscal year 2013, the \$18,799.91 was rejected due to the actuals for these employees exceeding the estimated personnel service costs for fiscal year 2013. Given that the grant did not expire at September 30, 2013, these costs were still allowable and were therefore resubmitted as part of a fiscal year 2014 workbook and approved for reimbursement.

The total expenditures over the life of the grant are accurately represented and truly reflect the actual spend associated with the activities related to the grant. We therefore do not concur with this finding as the \$18,799.91 was an allowable expense under the grant and was only approved for reimbursement once, in the fiscal year 2014 workbook.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-052
<i>Prior Year Finding Number</i>	2013-056
<i>Federal Program</i>	Temporary Assistance for Needy Families Cluster (93.558, 93.714) Supplemental Nutrition Assistance Program Cluster (10.551, 10.561)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services (HHS) Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A 1.08d., states that management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported...*"

Condition

For employees working on multiple grants, the Accounting Department prepares a journal entry to adjust the payroll allocation to the program based on the quarterly allocation rate determined by the Random Moment time study (RMS).

During our payroll testwork over allowability we noted that the RMS adjustments were not recorded timely for the 2nd quarter as such we determined controls are not adequately designed and implemented surrounding the recording of the RMS journal entry.

Cause

Management does not consistently adhere to their internal controls to ensure that the District is recording RMS adjustment journal entries timely each quarter.

Effect

Without consistently adhering to internal controls to ensure compliance with Activities Allowed/ Allowable Costs compliance requirements, there is an increased risk that payroll costs will be charged to the incorrect grant or allocated at the incorrect amount.

Recommendation

We recommend that management enforce existing policies and procedures and improve its internal controls to ensure that RMS adjusting journal entries are prepared, reviewed and recorded timely to ensure that the District is in compliance with the Activities Allowed/ Allowable Costs compliance requirements.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DHS does not agree with this finding. There are no existing federal rules or guidelines that stipulate that expenditures must be allocated quarterly per the RMS. DHS must ensure annually that Federal expenditures are correctly allocated based on the RMS. States are allowed to make adjustments to expenditure allocations on the FSR quarterly. DHS made all the necessary adjustment to the third quarter FSR for adjustments made for the second quarter. All expenditures were correctly allocated by the end of the year per the RMS.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-053
<i>Prior Year Finding Number</i>	2013-053
<i>Federal Program</i>	Temporary Assistance for Needy Families Cluster (93.558, 93.714)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

Under 45 CFR § 205.60 (a), the State agency will maintain or supervise the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and the use of any information obtained under §205.55, with respect to individual applications denied, recipients whose benefits have been terminated, recipients whose benefits have been modified, and the dollar value of these denials, terminations and modifications. Under this requirement, the agency will keep individual records which contain pertinent facts about each applicant and recipient.

OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During our compliance testwork for the Activities Allowed/Allowable Costs compliance requirements, we tested 65 payments to child care providers that were funded from the TANF program. Of the 65 payments tested, we noted the following exceptions:

- 1 of 65 payments to a provider where the child was to be terminated according to the attendance sheet submitted by the provider, however, OSSE continued to fully reimburse the provider for the month tested resulting in erroneous payments to the provider of \$1,112.
- 1 of 65 payments to a provider that did not submit an attendance sheet for the period tested and was still fully reimbursed by OSSE. Upon notification of the audit exception, OSSE subsequently obtained an amended attendance sheet from the provider supporting the reimbursement request. While the costs associated with this payment were ultimately determined to be allowable, this exception represents a control finding as the expenditure was approved without the supporting vendor attendance sheet.

Cause

Controls are not adequate to ensure that vendor attendance sheets are reviewed prior to approval of all vendor reimbursement requests and retained to support the District's compliance with the Activities Allowed/Allowable Costs compliance requirements.

Effect

Without adequate internal controls to ensure compliance with Activities Allowed/Allowable Costs compliance requirements, there is an increased risk that child care subsidy program vendor payments charged to the TANF grant are not allowable.

Recommendation

We recommend that management enforce existing policies and procedures and improve its internal controls to ensure that the child care subsidy program vendor attendance sheets are reviewed and adequate documentation is maintained and that the District is in compliance with the Activities Allowed/ Allowable Costs compliance requirements.

Related Noncompliance

Noncompliance

Questioned Costs

Known: \$1,112

Views of Responsible Officials

Exception 1: The child was not terminated but was transferred to another location of the same provider. The provider terminated the child from the original location and reinstated the child in the new location to which the child was transferred, without any interruption of service. As such, there was no breakage in service and thus the provider received payment for the service it provided to the child. DC OSSE's payment to the provider for services provided to the transferred child was correct and allowable. In the attendance tracking data, there was no clear differentiation between terminated and transferred service delivery.

Exception 2: The child was a new in-take which resulted in a delay in the systems' inter-agency upload from DHS/CCSD. However, payment made to the provider was correct and allowable.

KPMG Response

We have reviewed management's response and our finding remains as indicated.

<i>Finding Number</i>	2014-054
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families Cluster (93.558, 93.714) Supplemental Nutrition Assistance Program Cluster (10.551, 10.561)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services (HHS) Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A 1.08d., states that management at a State and Local government entity is responsible for *"establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported..."*

Condition

Employees charging 100% of their time to an individual grant are required to complete a certification in accordance with OMB Circular A-87. Department supervisors submit a memorandum to DHS noting their review of the A-87 certification of the employees they supervise that work exclusively under a grant to verify that the employees worked 100% on that grant.

During our allowability testwork we noted that the District's review of the A-87 certification is not sufficient to determine that all employees included on the certification is complete and accurate. Specifically, we noted that the A-87 memos are prepared using a listing of index codes within PeopleSoft and the Schedule A - listing of all employees. Once the A-87 memos are prepared, they are forwarded to the department supervisors for review. However, during the review, the department supervisors do not obtain any of the supporting documentation (Schedule A, listing of index codes) to verify the employees listed on the certification worked 100% on the grant or that all employees who should be included on the certification actually are included. We re-performed the control and noted no instances of omitted employees or employees that did not work 100% on the grant.

Cause

Management does not have adequate controls in place to ensure that the review of the A-87 certification is complete and accurate.

Effect

Without adequate internal controls to ensure compliance with Activities Allowed/ Allowable Costs compliance requirements, there is an increased risk that payroll costs charged to the TANF and SNAP grant are not allowable.

Recommendation

We recommend that management improve its internal controls to ensure that the A-87 certifications are complete and accurate to ensure compliance with the Activities Allowed/ Allowable Costs compliance requirements.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

In accordance with the audit recommendation to improve internal controls, on-going, DHS will provide all signatories for the A-87 100% Certifications with a copy of the Schedule A of employees, and indexes associated with staff listed for internal re-review and confirmation.

<i>Finding Number</i>	2014-055
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families Cluster (93.558, 93.714)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	Yes

Criteria

Under 45 CFR § 205.60 (a), the State agency will maintain or supervise the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and the use of any information obtained under §205.55, with respect to individual applications denied, recipients whose benefits have been terminated, recipients whose benefits have been modified, and the dollar value of these denials, terminations and modifications. Under this requirement, the agency will keep individual records which contain pertinent facts about each applicant and recipient.

OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During our compliance testwork for the Eligibility compliance requirements, we tested 65 beneficiaries that received child care service from providers that were funded from the TANF program. Of the 65 beneficiaries tested, we noted 4 cases where the District could not provide a completed and signed subsidized childcare application or evidence of yearly review that supported eligibility for the beneficiary during the sample month selected for testing. As a result, we were unable to determine if the beneficiary was eligible for the child care subsidy program.

Cause

The District did not consistently adhere to its established policies and procedures requiring it to maintain documentation supporting participant eligibility.

Effect

The District is not in full compliance with its policies and with Federal program compliance requirements surrounding records maintenance. Further, ineligible child care subsidy beneficiaries may receive benefits under the TANF grant and the District may make payment on behalf of those beneficiaries.

Recommendation

We recommend that the District strengthen its internal controls to ensure they follow their policies and procedures for maintaining case record documentation to ensure that they are compliant with eligibility rules.

Related Noncompliance

Material noncompliance

Questioned Costs

Unable to be determined

Views of Responsible Officials

Management concurs with the finding and recommendation. The District will reassess its internal controls and make necessary corrections to ensure that policies and procedures for maintaining case record documentation are in compliance with eligibility rules.

<i>Finding Number</i>	2014-056
<i>Prior Year Finding Number</i>	2013-051
<i>Federal Program</i>	Temporary Assistance for Needy Families Cluster (93.558, 93.714)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Service (DHS)
<i>Compliance Requirement</i>	Eligibility Special Tests and Provisions – Income Eligibility and Verification System
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A 1.08d., states that management at a State and Local government entity is responsible for *"establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported..."*

Per 45 CFR § 205.55 (a) a State plan under title I, IV-A, X, XIV, or XVI (AABD) of the Social Security Act must provide that: (a) Except as provided in paragraph (b), the State agency will request through the Income Eligibility and Verification System (IEVS) income and benefit information when making eligibility determinations.

Under 45 CFR § 205.60 (a), the State agency will maintain or supervise the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and the use of any information obtained under §205.55, with respect to individual applications denied, recipients whose benefits have been terminated, recipients whose benefits have been modified, and the dollar value of these denials, terminations and modifications. Under this requirement, the agency will keep individual records which contain pertinent facts about each applicant and recipient.

Condition

During testing over beneficiary eligibility for the Temporary Assistance for Needy Families (TANF), we noted that the Department of Human Services was unable to provide sufficient documentation to support all eligibility determinations tested during fiscal year 2014 audit. Specifically, of a sample of 65 beneficiary disbursements tested, we noted the following exceptions:

- Three (3) instances where DHS was unable to provide birth certificates.
- Seven (7) instances where DHS was unable to provide evidence that the Interface/IEVS check was performed.

We determined that the District paid \$4,713 in federal awards to those 10 TANF beneficiaries. This amount represents 21% of the total amounts paid by the District in claims related to the 65 beneficiary payments tested of \$22,452. The District paid a total of \$18,857,360 in beneficiary payments (excluding payments

related to the Child Care Subsidy Program with the District's Office of the State Superintendent (OSSE)) to TANF beneficiaries in fiscal year 2014.

Cause

Controls are not adequate to ensure that the District adheres to its established policies and procedures requiring it to maintain documentation supporting participant eligibility.

Effect

The District is not in full compliance with its policies and with Federal program compliance requirements surrounding records maintenance. Further, ineligible TANF beneficiaries may receive benefits under the TANF grant and the District may make payment on behalf of those beneficiaries.

Recommendation

We recommend that the District follow its policies and procedures for maintaining case record documentation and improve its controls over monitoring compliance. We observed that the District is in the process of implementing a new automated eligibility system DCAS, which will help address the condition over time.

Related Noncompliance

Material noncompliance

Questioned Costs

Known: \$4,713

Views of Responsible Officials

Management concurs with the finding and recommendation.

DHS will purchase desktop scanners to allow for immediate scanning/capturing of documents/documentation relevant to participant eligibility. The scanned information will be loaded into the customer's record in DIMS.

The scanners will be placed in the Customer Waiting Area and Case Record Management Unit (CRMU). Caseworkers will have the responsibility for scanning documents upon receipt. The first phase of deployment for the scanners is scheduled to be implemented by June 30th, 2015, and will take place one Service Center at a time. This initiative is expected to remedy the finding of insufficient documentation and should decrease the time currently required to forward documents to the Case Record Management Unit (CRMU).

<i>Finding Number</i>	2014-057
<i>Prior Year Finding Number</i>	2013-050
<i>Federal Program</i>	Temporary Assistance for Needy Families Cluster (93.558, 93.714)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Reporting Special Tests and Provisions – Penalty for Failure to Comply With Work Verification Plan
<i>Finding Related to ARRA</i>	No

Criteria

The OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 45 CFR §261.61 (a), a State must support each individual’s hours of participation with documentation in the case file. In accordance with §261.62, a State must describe in its Work Verification Plan the documentation it uses to verify hours of participation in each activity. According to the DC State Verification Plan, the D.C. Department of Human Services (DHS), Department of Human Services Monitoring Unit reviews and audits all documentation submitted by vendors reflecting the activities of recipients in TANF Employment program. This documentation includes time sheets, activity logs, school records, pay stubs, and verification of employment, work experience and on-the-job training. The Monitoring Unit completes this audit process to determine if sufficient documentation exists to substantiate reported time and attendance data, to warrant a payment to TANF Employment program vendors, and submission of countable hours for federal reporting purposes.

Per 45 CFR § 265.7 (a)-(c), “each State’s quarterly reports (the TANF Data Report, the TANF Financial Report (or Territorial Financial Report), and the SSP-MOE Data Report) must be complete and accurate and filed by the due date.

For disaggregated data report, ‘a complete and accurate report’ means that:

- (1) The reported data accurately reflect information available to the State in case records, financial records, and automated data systems, and include correction of the quarterly data by the end of the fiscal year reporting period;
- (2) The data are free from computational errors and are internally consistent (e.g., items that should add to totals do so);
- (3) The State reports data for all required elements (i.e, no data are missing);
- (4)(i) The State provides data on all families; or (ii) if the State opts to use sampling, the State reports data on all families selected in a sample that meets the specification and procedures in the TANF Sampling Manual (except for families listed in error); and
- (5) Where estimates are necessary (e.g., some types of assistance may require cost estimates), the State uses reasonable methods to develop these estimates.

For an aggregated data report, “a complete and accurate report” means that:

- (1) The reported data accurately reflect information available to the State in case records, financial records, and automated data systems;
- (2) The data are free from computational errors and are internally consistent (e.g., items that should add to totals do so);
- (3) The State reports data on all applicable elements; and
- (4) Monthly totals are unduplicated counts for all families (e.g., the number of families and the number of out-of-wedlock births are unduplicated counts).”

45 CFR § 265.7 (f) states that “States must maintain records to adequately support any report, in accordance with section 92.42 of this title.”

Condition

During our test work over the Special Tests and Provision - Penalty for Failure to Comply with the Work Verification Plan and Reporting, we noted:

- For 3 out of 65 cases, DHS was unable to provide supporting documentation to substantiate the reported participation hours in the ACF-199, *TANF Data Report* (OMB No. 0970-0309) as required by the DC Work Verification Plan and the Federal Regulation.

In addition, during our test of the design and implementation of internal controls over Reporting and to further test the completeness and accuracy of the ACF-199 report, we selected a case reviewed by the District’s Office of Quality Assurance and Analysis Unit (OQAA) as part of their monthly review to test the completeness and accuracy of the Automated Client Eligibility Determination System (ACEDS) and Customer Assessment, Tracking, and Case History (CATCH) interface to Q5i, a system used to submit data as part of the ACF-199 Reporting requirement. The case selected was from March 2014 however, the review was not conducted and completed until August 2014. As the review was conducted 5 month after the month under review we determined the control was not designed and implemented effectively to catch data inconsistencies reported on the ACF-199 on a timely basis and thus did not select an additional sample to test the operating effectiveness of the control.

Cause

Controls are not operating effectively over the documentation of work participation data to ensure that adequate evidence of the work participation is maintained.

Controls are not designed and implemented effectively to detect and correct data inconsistencies as it relates to matters identified by the OQAA during their review of the completeness and accuracy of the data reported through the ACF-199 report, timely.

Effect

Data within the ACF-199 report may not be complete and accurate. Specifically, if the work participation data is not substantiated, or inconsistencies noted by OQAA are not properly investigated and resolved

(data conversion errors from ACEDS and CATCH into Q5i) it may result in inaccurate data being reported and may lead to an incorrect ACF-199 report, and could result in an incorrect allocation of Federal Funds to the state.

Recommendation

We recommend that management enforce existing policies and procedures and implement additional controls to ensure that adequate documentation is maintained to substantiate the work participation data reported in the ACF-199 report in accordance with the District of Columbia Work Verification Plan.

Additionally, we recommend that management strengthen their policies and procedures of the OQAA performing the review of the Q5i data to ensure the data is complete, accurate and reviewed timely prior to submission of the ACF-199.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the finding and recommendation.

As of May 1, 2015, the Office of Quality Assurance & Analysis (OQAA) revised the TANF Sampling Procedures Form, which will enable the Program Analyst to review monthly TANF data reported to ACF on a quarterly basis, to ensure that work participation hours are being reported correctly and supporting documentation is available to verify the reported work participation hours. The revised form will allow the Program Analyst to perform the review of the Q5i data on a more efficient and timely basis. The revised form will go into effect immediately.

<i>Finding Number</i>	2014-058
<i>Prior Year Finding Number</i>	2013-052
<i>Federal Program</i>	Temporary Assistance for Needy Families Cluster (93.558, 93.714)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Special Tests and Provisions – Child Support Non-Cooperation
<i>Finding Related to ARRA</i>	No

Criteria

OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per 45 CFR § 264.30 (a) (1) The State agency must refer all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified or enforced, to the child support enforcement agency (i.e., the IV-D agency). (2) Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child.

Per 45 CFR § 264.30 (b) If the IV-D agency determines that an individual is not cooperating, and the individual does not qualify for a **good cause** or other exception established by the State agency responsible for making good cause determinations in accordance with section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with § 260.52 of this chapter, then the IV-D agency must notify the IV-A agency promptly.

Per 45 CFR § 264.30 (c) The IV-A agency must then take appropriate action by: (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or (2) Denying the family any assistance under the program.

Per 45 CFR § 262.5 (d) The burden of proof rests with the State to fully explain the circumstances and events that constitute reasonable cause for its failure to meet a requirement...The state must provide us with sufficient relevant information and documentation to substantiate its claim of reasonable cause.

Condition

During our compliance testwork for the Special Tests and Provisions – Child Support Non-Cooperation compliance requirement, we tested 40 cases referred by Child Support Enforcement (CSE) to the TANF program as having not cooperated with Child Support. Of the 40 cases selected for testing, we noted 40 exceptions in which the benefit amounts were not reduced by at least 25%.

For the 40 cases, management was unable to provide the applicable documentation to support “good cause” for not sanctioning cases referred to by CSE. We reviewed the TANF policy for Child Support non-cooperation sanctions and noted ESA has the authority to not impose sanctions if it finds “good cause” exceptions. However, per interpretation of 45 CFR 262.5 and as of the timing of our audit procedures, we

were unable to determine whether there was sufficient evidence to substantiate the “good cause” exception to sanctions.

Cause

Management is not adhering to their policies and procedures to ensure that the District is in compliance with TANF Child Support Non-Cooperation compliance requirements. Documentation as to the “good cause” for exemptions to this requirement is not maintained and available for review.

Effect

Without adequate internal controls to ensure compliance with TANF Child Support Non-Cooperation requirements, there is an increased risk that TANF beneficiaries will receive incorrect TANF benefits.

Recommendation

We recommend that management enforce existing policies and procedures and improve its internal controls to ensure that Child Support Non-Cooperation sanctions are consistently applied and adequate documentation is maintained to support the District’s compliance with the TANF Child Support Non-Cooperation compliance requirements, especially when it comes to substantiating the “good cause” exception to sanctions..

Related Noncompliance

Material noncompliance

Questioned Costs

Known: \$3,477

The District paid \$13,906 in federal awards related to the 40 cases during the sampled months. We noted the District should have reduced the benefit amounts by at least 25% resulting in known questioned costs of \$3,477. Total dollars paid on all cases referred during fiscal year 2014 was not available.

Views of Responsible Official

Management concurs with the finding and recommendation.

In April 2015, DHS and the Office of Child Support Enforcement. Child Support Services Division (CSSD) instituted weekly conference calls to ensure reconciliation of the list of cases CSSD forwards to ESA for recommended sanctioning.

As of April 2015, all 40 audit sample cases referenced in this NFR have been reconciled between DHS and CSSD.

Management will enforce existing policies and procedures and implement additional controls to ensure that Child Support Non-Cooperation requirements are complied with, adequate documentation is maintained and that sanctions are consistently applied.

Finding Number	2014-059
Prior Year Finding Number	2013-054
Federal Program	Temporary Assistance for Needy Families Cluster (93.558, 93.714)
Federal Award Number	Various
Federal Agency	Department of Health and Human Services
District Department	Department of Human Services
Compliance Requirement	Special Tests and Provisions – Penalty for Refusal to Work
Finding Related to ARRA	No

Criteria

The OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per Yellow Book, Appendix I, section A 1.08d., states that management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported...*"

Per 45 CFR § 261.14 (a) and (b), "If an individual refuses to engage in work required under section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish. Such reduction is governed by the provisions of 45CFR § 261.16. The State must, at a minimum, reduce the amount of assistance otherwise payable to the family pro rata with respect to any period during the month in which the individual refuses to work. The State may impose a greater reduction, including terminating assistance."

Condition

During our test work of 40 samples selected to test the Special Tests and Provisions - Penalty for Refusal to Work, we noted 19 instances where beneficiaries continued to receive full TANF funds after the District identified and requested beneficiary payments be reduced for refusal to work. Total payments made to these 19 beneficiaries subsequent to when they should have been sanctioned were \$7,308.

Cause

Controls are not operating effectively to ensure that the TANF program applies appropriate sanctions on participants who refuse to fulfill the minimum working requirements to receive or maintain benefits.

Effect

Participants may erroneously receive full federal benefits, when they should have sanctions to reduce their federal benefits under the TANF program.

Recommendation

We recommend that management enforce existing policies and procedures and implement additional policies and procedures to ensure that Penalty for Refusal to Work requirements are complied with.

Related Noncompliance

Material noncompliance

Questioned Costs

Unknown

Views of Responsible Officials

Management concurs with the finding and recommendation. DHS has been and will continue to implement the existing policies and procedures regarding sanctioning customers who failed to participate with work requirements. Customers who fail to participate receive a sanction warning, sanction implementation notices, and are sanctioned. Following District regulations, ample due process is afforded before a sanction is issued. DHS is committed to striking a balance between the requirement to sanction with program integrity and national best practices. Data has revealed that customers are not usually willfully non-compliant but have specific barriers. The agency developed a thorough and tight process before implementing. Since implementation, sanctions have been imposed monthly.

<i>Finding Number</i>	2014-060
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Head Start (93.600)
<i>Federal Award Number</i>	03CH0233/27, 03CH3445/01 (9/1/2013 – 6/30/2015)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

According to OMB Circular A-87 *Cost Principles for State, Local and Indian Tribe Governments*, an employee who works solely on a single cost objective (i.e., the consolidated administrative cost objective) must furnish a semi-annual certification that he/she has been engaged solely in activities. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3) and 2) An employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraphs 8.h.(4), (5), and (6) documenting the portion of time and effort dedicated to: (a) The single cost objective, and (b) Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

Condition

During the year, \$6,705,725 of payroll related expenditures charged to the program. Based on our testwork over compliance with OMB Circular A-87, we noted the following:

1. The semi-annual certification was based on employees that worked on the program for one pay period instead of all pay periods covered by the semi-annual certification,
2. The semi-annual certifications did not indicate the employees worked solely for Head Start; and
3. There was no evidence the semi-annual certifications were prepared or reviewed by management.

Cause

Controls are not in place and operating effectively to ensure compliance with OMB Circular A-87. Specifically, we noted that DCPS employees were not sufficiently knowledgeable about the OMB Circular A-87 *Cost Principles for State, Local and Indian Tribe Governments* requirements for the semi-annual certification, including the need for documented policies and procedures to ensure that all pay periods are covered by the semi-annual certification, that the semi-annual certifications indicate that the employees worked solely for Head Start; and that management evidences their review of the semi-annual certification.

Effect

Without adequate internal controls to ensure sufficient documentation is maintained, there is a potential that DCPS may not be compliant with allowable cost requirements.

Recommendation

We recommend that DCPS provides training over the OMB Circular A-87 *Cost Principles for State, Local and Indian Tribe Governments* requirements for the semi-annual certifications and implement policies and procedures to ensure all pay periods are covered by the semi-annual certification, the semi-annual certification indicates the employees worked solely for Head Start, and management evidences their review of the semi-annual certification.

Related Noncompliance

Material noncompliance

Questioned Costs

Unable to be determined

Views of Responsible Officials

We will revise our process to ensure that the semi-annual certifications reflect all the pay periods covered under each certification, maintain evidence of the time and effort spent by each employee on the Head Start grant, as well as make sure that management review of the semi-annual certifications is clearly evidenced to ensure adherence to federal laws, regulations and program compliance requirements.

<i>Finding Number</i>	2014-061
<i>Prior Year Finding Number</i>	2013-059
<i>Federal Program</i>	Foster Care – Title IV-E (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our testing over allowability, we noted that CFSA does not have adequate controls in place to ensure compliance with allowable cost principle requirements. Specifically we noted that for 7 of the 25 samples selected from the validation population sample, we noted there was no validation, which resulted in CFSA not meeting their 10% requirement for the CAP.

Further, the Foster Care program incurred \$11,514,870 in payroll and fringe benefits expenditures in fiscal year 2014. During our testwork over the payroll allowability, we tested 25 payroll samples subject to the CAP, representing disbursed funds totaling \$90,769. For 3 of the 25 payroll samples selected, we noted that although the employee's time sheet was approved, it was not approved by an appropriate supervisor with adequate knowledge of what that employee was working on. This resulted in unallowable costs of \$10,084 that were subject to the CAP.

Additionally, we noted that management's process for documenting employee time and effort spent on certain program activities was not in compliance with the standards prescribed by OMB Circular A-87. Specifically, we noted that the Foster Care program charged \$693,680 in payroll and fringe benefit costs for employees participating in Revenue Maximization/Eligibility and Title IV-E waiver activities. These employees worked 100% of their time on the Foster Care program activities; however, management does not have a process in place to prepare semi-annual certifications for these employees.

Cause

Management is not adhering to their internal policies and procedures to ensure that transactions are adequately reviewed and approved to ensure they are allowable costs. In addition, CFSA program management have not designed and implemented appropriate controls to ensure that employee time and effort charged to federal awards is accurate and documented in accordance with the standards prescribed by OMB Circular OMB A-87.

Effect

Without adequate controls in place to ensure costs are properly reviewed for allowability, CFSA could be non-compliant with the allowability requirement and could request funds for costs that are unallowed.

Recommendation

We recommend that CFSA strengthen their policies and procedures requiring a proper review of the RMS and CFSA surveys, as well as employee's timesheets. In addition, CFSA should implement internal controls to ensure that semi-annual certifications are performed for employees who work 100% on the Foster Care grant to ensure compliance with allowability requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

\$346,840 (\$693,680 total direct payroll charged x 50% federal share)

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of the findings. With regard to the first finding pertaining to the RMS validation of samples, effective July 1, 2015 (the beginning of the next sample period), CFSA will implement a strategy to adhere to the 10% validation requirement in the Agency's Cost Allocation Plan. In addition, the Agency will strengthen its training and oversight of Supervisors to improve RMS validation rates.

With regard to the second finding pertaining to time and attendance approvals, CFSA adheres to the Government of the District of Columbia's protocols governing time and attendance, as the non-supervisors who approved time are authorized to approve time as needed. Management staff and Time Approvers have been instructed on time approval protocol. Effective September 30, 2015, CFSA will implement a time approval policy that will set guidelines around employee time approvals and the timeframe for these approvals.

With regard to the third finding pertaining to the certification of employees fully charged to the Foster Care grant, by July 1, 2015, CFSA will implement a semi-annual certification process to document the required certification for Revenue Maximization/Eligibility and Title IV-E Waiver Unit employees whose time was direct charged to Title IV-E Foster Care. A certification process will immediately be initiated to provide the required certification.

<i>Finding Number</i>	2014-062
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Foster Care – Title IV-E (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

The A- 102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. 31 CFR section 205.19(c), "A State must calculate and report interest liabilities on the basis of its fiscal year."

Condition

During our testwork over compliance with the cash management requirements, we noted that the expenditures related to fiscal year 2013 receivables that were drawn down in fiscal year 2014 were not included in the fiscal year 2014 Cash Management Improvement Act (CMIA) report, and thus interest was not calculated on the related expenditures.

Cause

The review of the CMIA report by management was not performed at the appropriate level of precision to ensure that the financial reports submitted to the District's Office of Finance and Treasury (OFT) were complete and accurate.

Effect

Without proper review controls in place over the CMIA reports, CFSA could be non-compliant with cash management requirements for the Foster Care program. However, we noted that there was no additional interest due to the Federal government as a result of the error.

Recommendation

We recommend that CFSA strengthen their internal controls over the review of the CMIA report to ensure that they are properly reviewing the report prior to submission to OFT and calculating the interest liability in accordance with the CMIA.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency concurs with the facts of this finding.

The CFSA fiscal office will ensure that future annual CMIA submissions will report all accrued expenditures and revenue receivables established during year end close once it becomes cash expenditure and revenue is drawn.

<i>Finding Number</i>	2014-063
<i>Prior Year Finding Number</i>	2013-061
<i>Federal Program</i>	Foster Care – Title IV-E (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to 42 CFR § 1356.21 (b)(2)(i), "The title IV-E agency must obtain a judicial determination that it has made reasonable efforts to finalize the permanency plan that is in effect (whether the plan is reunification, adoption, legal guardianship, placement with a fit and willing relative, or placement in another planned permanent living arrangement) within twelve months of the date the child is considered to have entered foster care in accordance with the definition at § 13 5 5 .20 of this part, and at least once every twelve months thereafter while the child is in foster care."

According to 42 U.S. Code 671(a)(20)(B) and (i), "provides that the State shall - check any child abuse and neglect registry maintained by the State for information on any prospective foster or adoptive parent and on any other adult living in the home of such a prospective parent, and request any other State in which any such prospective parent or other adult has resided in the preceding 5 years, to enable the State to check any child abuse and neglect registry maintained by such other State for such information, before the prospective foster or adoptive parent may be finally approved for placement of a child."

Furthermore, per 42 U.S. Code 675(8)(B)(ii), (iii) and (iv), "who has attained 18 years of age; who has not attained 19, 20, or 21 years of age, as the State may elect; and who is- (I) completing secondary education or a program leading to an equivalent credential; (II) enrolled in an institution which provides post-secondary or vocational education; (IH) participating in a program or activity designed to promote, or remove barriers to, employment; (IV) employed for at least 80 hours per month; (V) or incapable of doing any of the activities described in subclauses (I) through (IV) due to a medical condition, which incapability is supported by regularly updated information in the case plan of the child."

According to 45 CFR Part 92.20(b)(2), Accounting records, "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Furthermore, Per 45 CFR § 1356.21(a), Statutory and regulatory requirements of the Federal foster care program, "To implement the foster care maintenance payments program provisions of the title IV-E plan and to be eligible to receive Federal financial participation (FFP) for foster care maintenance payments under this part, a title IV-E agency must meet the requirements of this section, 45 CFR 1356.22, 45 CFR 1356.30, and sections 472, 475(1), 475(4), 475(5), 475(6)."

45 CFR §1356.30(a) states, "the title IV-E agency must provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents."

Condition

In fiscal year 2014, the Foster Care program had total disbursements of \$11,352,749 for Maintenance payments. During our testing of controls over the eligibility requirements for the Foster Care program, we noted that CFSA management does not perform a periodic review of the eligibility files in order to determine whether the reasonable efforts to achieve permanency at least once every 12 months was conducted. In addition, during our testing of 65 participants representing disbursed federal funds totaling \$58,460, we noted the following:

- For 2 of 65 samples, we noted a youth over age 18 remains eligible for continued maintenance payments if the youth meets the following prescribed conditions: (1) completing secondary school (or equivalent), (2) enrolled in post-secondary or vocational school, (3) participating in a program or activity that promotes or removes barriers to employment, (4) employed 80 hours a month, or (5) incapable of any of these due to a documented medical condition. Per review of the notes from the youth's case worker, the youth did not meet any of the requirements to remain in the Foster Care program after turning 18. This resulted in ineligible payments being made in the amount of \$837.
- For 1 of 65 samples, we noted that CFSA ran criminal background checks of these providers that showed the existence of records on file. We noted that CFSA was unable to provide the details of these records in order to determine that the providers were still qualified to be licensed. This resulted in ineligible payments being made in the amount of \$1,277.
- For 2 of 65 samples, we noted that CFSA was not able to provide the licensing documentation, criminal records check (including fingerprints), or child abuse and neglect registry check for the selected individuals. These providers were licensed through Kids Peace National Center of North America. The District no longer contracts with this agency and has not been able to recover the documentation. This resulted in ineligible payments being made in the amount of \$3,158.
- For 1 of 65 samples, we noted that a criminal records check (including fingerprint) is required every two years and a child abuse and neglect registry check is required every year for licenses issued in the District of Columbia. Per review of the documentation in the participant's file, we noted that these checks, as provided by Child and Family Services, were last performed in June and July of 2011, respectively. This resulted in ineligible payments being made in the amount of \$690.

Cause

CFSA does not have adequate controls in place to ensure that eligibility files are being properly reviewed and the required documentation is being maintained to evidence compliance with eligibility requirements.

Effect

CFSA was not in compliance with the eligibility requirements of the Foster Care program.

Recommendation

We recommend CFSA strengthen their existing policies and procedures over the review and maintenance of appropriate documentation to ensure compliance with eligibility requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

Known: \$5,962

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of the findings. With regard to the first finding pertaining to the SACWIS/FACES documentation of work or schooling claiming requirements for 18+ year-old, CFSA will carefully review the documentation logic to assure appropriate claiming of otherwise eligible clients who are 18+ as approved in CFSA's Title IV-E State Plan. Effective July 30, 2015, CFSA will conduct quarterly reviews of a random sample of youth aged 18 and older to ensure that the eligible youth for whom the Agency is claiming are properly documented.

With regard to the remaining three findings pertaining to licenses and criminal background checks, effective October 1, 2014, CFSA implemented a stronger quality assurance and enhanced review of all Title IV-E Foster Care cases, including the required licensing-related documentation such as background and registry checks. Effective September 30, 2015, CFSA will implement an improved process for centralizing storage, maintenance and retrieval of all criminal background checks, child abuse and registry checks, and licensing documentation for all Title IV-E eligible Foster Care cases for which CFSA is claiming Title IV-E funds.

<i>Finding Number</i>	2014-064
<i>Prior Year Finding Number</i>	2013-062
<i>Federal Program</i>	Adoption Assistance – Title IV-E (93.659)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our testing over allowability, we noted that CFSA does not have adequate controls in place to ensure compliance with allowable cost requirements. Specifically, we noted that for 7 of the 25 samples selected from the validation population sample, we noted there was no validation, which resulted in CFSA not meeting their 10% requirement for the Cost Allocation Plan (CAP).

Further, the Adoption Assistance program incurred \$665,857 in payroll and fringe benefits expenditures in fiscal year 2014. During our testwork over the allowability of payroll costs, we tested 25 payroll samples subject to the CAP, representing disbursed funds totaling \$90,769. For 3 of the 25 payroll samples selected, we noted that although the employee's time sheet was approved, it was not approved by an appropriate supervisor with adequate knowledge of what that employee was working on. This resulted in unallowable costs of \$10,084 that were subject to the CAP.

Cause

Management is not adhering to their internal policies and procedures to ensure that transactions are adequately reviewed and approved to verify that they are allowable costs.

Effect

Without adequate controls in place to ensure costs are properly reviewed for allowability, CFSA could be non-compliant with the allowability requirement and could request funds for costs that are unallowed.

Recommendation

We recommend that CFSA strengthen their policies and procedures requiring a proper review of the RMS and CFSA surveys, as well as employee's timesheets.

Related Noncompliance

Material noncompliance

Questioned Costs

Unable to be determined

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of the findings. With regard to the first finding pertaining to the RMS validation of samples, effective July 1, 2015 (the beginning of the next sample period), CFSA will implement a strategy to adhere to the 10% validation requirement in the Agency's Cost Allocation Plan. In addition, the Agency will strengthen its training and oversight of Supervisors to improve RMS validation rates.

With regard to the second finding pertaining to time and attendance approvals, CFSA adheres to the Government of the District of Columbia's protocols governing time and attendance, as the non-supervisors who approved time are authorized to approve time as needed. Management staff and Time Approvers have been instructed on time approval protocol. Effective September 30, 2015, CFSA will implement a time approval policy that will set guidelines around employee time approvals and the timeframe for these approvals.

<i>Finding Number</i>	2014-065
<i>Prior Year Finding Number</i>	2013-064
<i>Federal Program</i>	Adoption Assistance – Title IV-E (93.659)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

According to 45 CFR Part 92.20(b)(2), Accounting records, "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

In order for a State to be eligible for maintenance payments, the State shall, according to 42 U.S. Code 673(a)(2)(A)(i)(I)(I)(aa)(AA), "place in foster care in accordance with a voluntary placement agreement with respect to which Federal payments are provided under section 674 of this title (or section 603 of this title, as such section was in effect on July 16, 1996), or in accordance with a judicial determination to the effect that continuation in the home would be contrary to the welfare of the child."

Per 42 USC 673(a)(4)(A) , "a payment may not be made pursuant to this section to parents or relative guardians with respect to a child-who has not attained 18 years of age, if the State determines that the parents or relative guardians, as the case may be, are no longer legally responsible for the support of the child; or if the State determines that the child is no longer receiving any support from the parents or relative guardians, as the case may be."

In addition, per 42 USC 673(a)(7(A)(ii), "a payment may not be made to parent for an applicable child who is not a citizen or resident of the United States."

Per 42 USC 673(c)(1)(A), "the child shall not be considered a child with special needs unless--the State has determined that the child cannot or should not be returned to the home of his parents."

Additionally, per 42 USC USC 673(c)(1)(B), "the child shall not be considered a child with special needs unless-- except where it would be against the best interests of the child because of such factors as the existence of significant emotional ties with prospective adoptive parents while in the care of such parent as a foster child, a reasonable, but unsuccessful, effort has been made to place the child with appropriate adoptive parents without providing adoption assistance."

Per 45 CFR section 13 56.41 (a), "The amount of the payment made for nonrecurring expenses of adoption shall be determined through agreement between the adopting parent(s) and the State agency administering the program. The agreement must indicate the nature and amount of the nonrecurring expenses to be paid."

The OMB Circular A-87 Basis Guidelines states, "factors affecting allowability of costs - to be allowable under Federal awards, costs must meet the following general criteria: be necessary and reasonable for proper and efficient performance and administration of Federal awards; be allocable to Federal awards under the provisions of this Circular; be authorized or not prohibited under State or local laws or

regulations; conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items; conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items; be accorded consistent treatment - a cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost; except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles; not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation; be the net of all applicable credits; be adequately documented."

Condition

In fiscal year 2014, CFSA had total disbursements of \$11,899,127 for Maintenance payments. During our testwork over eligibility, we tested 65 participants representing disbursed funds totaling \$50,723, we noted the following:

- For 1 of 65 samples, Child and Family Services Agency (CFSA) was unable to provide a final, signed subsidy agreement letter. This resulted in ineligible payments being made in the amount of \$808.
- For 1 of 65 samples, the adoption subsidy letter that CFSA provided did not include approval for the reimbursement of non-recurring adoptions expenses up to \$2,000 for legal fees, filing costs, placement fees, or other expenses incurred in the adoption process. This resulted in ineligible payments being made in the amount of \$156.
- For 2 of 65 samples, CFSA was unable to provide documentation of a child protection registry check for one or more individuals identified as residing in the adoptive home. Additionally, for 1 of those 2 samples, CFSA was unable provide the criminal background checks for the adoptive parents. This resulted in ineligible payments being made in the amount of \$1,434.
- For 3 of 65 samples, CFSA was unable to provide documentation of who, over the age of 18, was identified as residing in the adoptive home in order to determine which child protection registry checks were required. This resulted in ineligible payments being made in the amount of \$2,343.

Cause

CFSA does not have adequate controls in place to ensure that eligibility files are being properly reviewed and required documentation is being maintained to ensure compliance with eligibility requirements.

Effect

Without proper controls in place to ensure case files are properly reviewed and documentation maintained, CFSA was not in compliance with the eligibility requirements of the Adoption Assistance program.

Recommendation

We recommend CFSA strengthen their existing policies and procedures over the review and maintenance of appropriate documentation to ensure compliance with eligibility requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

Known: \$4,741

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of this finding. With regard to the first finding pertaining to subsidy agreement letter, for at least the past 5 years, CFSA has used a standardized subsidy agreement referencing all federally mandated requirements including non-recurring adoption expenses. CFSA will review the Title IV-E eligible adoption assistance cases for which it is claiming Title IV-E and ensure that the adoption subsidy agreements contain the federal required language.

With regard to the remaining three findings pertaining to licenses and criminal background checks, effective October 1, 2014, CFSA implemented a stronger quality assurance and enhanced review of all Title IV-E Adoption Assistance cases, including the required licensing-related documentation such as background and registry checks. Effective September 30, 2015, CFSA will implement an improved process for centralizing storage, maintenance and retrieval of all criminal background checks, child abuse and registry checks, and licensing documentation for all Title IV-E eligible Adoption Assistance cases for which CFSA is claiming Title IV-E funds.

Finding Number	2014-066
Prior Year Finding Number	2013-065
Federal Program	Children’s Health Insurance Program (93.767)
Federal Award Number	1305DC5021; 1405DC5021
Federal Agency	Department of Health and Human Services (HHS)
District Department	Department of Health Care Finance (DHCF)
Compliance Requirement	Eligibility
Finding Related to ARRA	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 214) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A.108., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported; ...*”

Medicaid State Plan: Citation 42 CFR 431.17 AT-79-29, Section: 4.7 Maintenance of Records The Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding application, determination of eligibility, the provision of medical assistance, and administrative costs and statistical, fiscal and other records necessary for reporting and accountability, and retains these records in accordance with Federal requirements. All requirements of 42 CFR 431.17 are met.

ESA Policy Manual Section: SECTION FOR CASE RECORD DOCUMENTATION 1.3 All eligibility criteria and classifying information are documented on the Record of Case Action, Form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case by reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipient, the record should include the dates pay is received and how often the recipient is paid. When the recipient’s statement is the best available source, the record should include both the applicant/recipient’s and the agency’s efforts to verify the information. All address changes should be documented.

Condition

During testing over beneficiary eligibility for the Children’s Health Insurance Program (CHIP), we selected a sample of 65 payments from the total population of fiscal year 2014 CHIP claims payments. We then tested compliance with CHIP eligibility requirements for the beneficiaries related to those 65 claims payments. Within our sample of 65, we noted that the District was unable to provide sufficient documentation to support the eligibility determination for 30 samples. We determined that the District paid \$2,704 in Federal award during fiscal year 2014 for claims related to those 30 CHIP beneficiaries. This amount represents 40% of the total amounts paid by the District in fiscal year 2014 for claims related to the 65 CHIP beneficiaries sampled of \$6,749. The District paid a total of \$15,908,611 in federal awards to CHIP beneficiaries in fiscal year 2014.

Cause

The District did not consistently adhere to its established policies and procedures requiring it to maintain documentation supporting participant eligibility.

Effect

The District is not in full compliance with its policies and with Federal program compliance requirements surrounding records maintenance. Further, ineligible CHIP beneficiaries may receive benefits under the CHIP grant and the District may make payment on behalf of those beneficiaries.

Recommendation

We recommend that the District follow their policies and procedures for maintaining case record documentation and improve its controls over monitoring compliance.

Related Noncompliance

We are unable to conclude on compliance due to the scope limitation described above.

Question Costs

Known: \$2,704

View of Responsible Officials

DHS will purchase desktop scanners to allow for immediate scanning/capturing of Documents/documentation relevant to participant eligibility. The scanned information will be loaded into the customer's record in DIMS.

The scanners will be placed in the Customer Waiting Area and Case Record Management Unit (CRMU). Caseworkers will have the responsibility for scanning documents upon receipt. The first phase of deployment for the scanners is scheduled to be implemented by June 30th, 2015, and will take place one Service Center at a time. This initiative is expected to remedy the finding of insufficient documentation and should decrease the time currently required to forward documents to the Case Record Management Unit (CRMU).

<i>Finding Number</i>	2014-067
<i>Prior Year Finding Number</i>	2013-067
<i>Federal Program</i>	Medicaid Cluster (93.775, 93.777, 93.778); Children’s Health Insurance Program (93.767)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health Care Finance (DHCF)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...*”

Condition

Controls over management’s review of the Medicaid Management Information System (MMIS) SSAE 16 Report are not sufficiently designed, documented and implemented effectively. Additionally, we noted controls in place to address end user control considerations are not operating effectively. Specifically, we noted the following:

- Management’s review of the SSAE 16 was not sufficiently documented to present considerations made by the Department of Health Care Finance (DHCF) and the potential impact of the report conclusion (i.e., qualified opinion) on DHCF’s operations and financial reporting.
- Additionally, as part of the review process, management did not perform a timely analysis over the complementary user entity control considerations noted in the report. We noted the analysis was performed only as a result of audit inquiries.
- As part of our testing of the complementary user entity controls over system access, we noted that controls in place addressing system access are not adequate. Specifically, DHCF does not perform a sufficient review of a complete list of MMIS users (active and inactive) to ensure access to MMIS is restricted to authorized users and the authorized users’ access levels remain appropriate over time.
- Further, we noted Xerox/MMIS uses the subservice organization Xerox Information Technology Services and Shared Services. Upon requests by the auditors, DHCF was unable to provide a current SSAE 16 report for the subservice organization to cover the full audit period.

Cause

DHCF does not have adequate policies and procedures in place to ensure the timely analysis and documented consideration of the complementary user entity controls per the MMIS SSAE 16 report. Additionally, DCHF lacks processes to ensure controls are designed and implemented effectively to address the risks identified in the SSAE 16 report.

Effect

Failure to implement controls increases the risk of unapproved access to MMIS and processing of inaccurate benefit information by the service provider.

Recommendation

We recommend that DHCF create and implement formal policies and procedures to document its analysis of the MMIS SSAE 16 report and ensure the complementary user entity controls are properly designed and implemented.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

- **Access to the user organization's network and client computers is restricted to authorized users.** Given the process a new employee must go through to get access to the MMIS, DHCF believes we have the appropriate controls in place.

The MMIS is only accessible through a Xerox or DC Government network. Both Xerox and DHCF have a process for granting user access to either system. DC government employees are given access to the DC Government network as a part of their on-boarding. Access to the MMIS is granted after a new DHCF employee, whose manager has determined they need access to the MMIS and completed the required forms, completes their HIP AA training. New users are also required to go through MMIS training at Xerox.

- **Claims submissions are properly authorized by provider**
To electronically submit claims, providers are assigned a training partner ID and are required to create their own password. It is only through this process that DHCF can ensure that properly authorized providers are submitting claims to DHCF. Were there a case of someone submitting claims on behalf of a provider and the claim submissions were not authorized by the provider, the payments in excess of the anticipated amount would be a trigger for the provider to do their own audit to identify the source of the excess payment.

- **Data transmissions to Xerox are monitored for security, accuracy and completeness**
Data transmissions to Xerox are monitored. After each nightly batch cycle, Xerox produces a batch report showing the number of transactions that were process in the nightly batch. These reports have been in place since the implementation of Omnicaid and are reviewed each day.
- **System output and reports are adequately controlled and safeguarded**
System outputs are reports are stored in Reports On Line (ROL) which is a sub-system on the web portal at www.dc-medicaid.com. Access to reports online is controlled through user ID and password and system access tied to a user's ID. Without the appropriate access rights, a user does not have access to the system output and reports.

Finding Number	2014-068
Prior Year Finding Number	2013-068
Federal Program	Medicaid Cluster (93.775, 93.777, 93.778); Children's Health Insurance Program (93.767)
Federal Award Number	Various
Federal Agency	Department of Health and Human Services
District Department	Department of Human Services/Economic Security Administration
Compliance Requirement	Eligibility
Finding Related to ARRA	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...*”

The Medicaid State Plan: Citation 42 CFR 431.17AT-79-29. Section 4.7 (Maintenance of Records) states, “*The Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of medical assistance, and administrative costs and statistical, fiscal and other records necessary for reporting and accountability, and retains these records in accordance with Federal requirements. All requirements of 42 CFR 431.17 are met.*”

Economic Security Administration (ESA) Policy Manual, Section1.3, “*All eligibility criteria and clarifying information are documented on the Record of Case Action, form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case by reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipients, the record should include the dates pay is received and how often the recipient is paid. When the recipient's statement is the best available source, the record should include the application/recipient's and agency efforts to verify the information. All address changes should be documented.*”

Condition

Controls over management's review of exception reports from the interface of the Automated Client Eligibility Determination System (ACEDS) and the Medicaid Management Information System (MMIS) are not sufficiently documented, designed, and implemented effectively. Specifically, we noted that during the review of the exception report dated 2/3/14, sufficient evidence to support the investigation and resolution of identified errors was not available.

Cause

Department of Human Services (DHS) policies are not sufficient to explain and identify specific criteria for which exceptions, noted in the ACEDS to MMIS interface, require investigation and resolution.

Effect

Failure to review and resolve exceptions from ACEDS to MMIS interface could result in errors in Medicaid benefits processing.

Recommendation

We recommend that DHS revise existing policies to formalize the portions related to specific review criteria and documentation requirements for the review.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DHS has collaborated with Department of Health Care Finance (DHCF), who initiates the MMIS Exception Reports, and has narrowed down those elements of the Exception Report that specifically pertain to DHS.

DHS will develop guidance for responding to those elements in the Exception Report that requires action by Division of Information Systems staff.

Finding Number	2014-069
Prior Year Finding Number	2013-066
Federal Program	Medicaid Cluster (93.775, 93.777, 93.778); Children’s Health Insurance Program (93.767); Temporary Assistance for Needy Families Cluster (93.558, 93.714); Supplemental Nutrition Assistance Program Cluster (10.551, 10.561)
Federal Award Number	Various
Federal Agency	Department of Health and Human Services (HHS)
District Department	Department of Human Services/Economic Security Administration
Compliance Requirement	Eligibility Special Tests and Provisions – ADP System for SNAP
Finding Related to ARRA	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...*”

The Medicaid State Plan: Citation 42 CFR 431.17AT-79-29. Section 4.7 (Maintenance of Records) states, “*The Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of medical assistance, and administrative costs and statistical, fiscal and other records necessary for reporting and accountability, and retains these records in accordance with Federal requirements. All requirements of 42 CFR 431.17 are met.*”

Economic Security Administration (ESA) Policy Manual, Section I.3, “*All eligibility criteria and clarifying information are documented on the Record of Case Action, form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case by reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipients, the record should include the dates pay is received and how often the recipient is paid. When the recipient’s statement is the best available source, the record should include the application/recipient’s and agency efforts to verify the information. All address changes should be documented.*”

Condition

Personnel at ESA are responsible for determining beneficiary eligibility for Medicaid, TANF, and SNAP programs. In order to determine eligibility, the ESA Social Service Representatives (SSRs) record information from potential beneficiaries into the automated Client Eligibility Determination System (ACEDS). Once a beneficiary is determined to be eligible, the SSRs are responsible for recording any further case actions-e.g. updates of personal information, termination of benefits, and renewal of benefits. Case actions including initial determination of eligibility can be recorded in ACEDS by all SSRs; however, only SSRs with “authority to act” can record actions without supervisory review and approval. Controls

over the entry and processing of beneficiary cases in ACEDS are not properly designed and implemented to ensure segregation of duties. Specifically, we noted SSRs with authority to act have the ability to both record and authorize beneficiary case actions in ACEDS.

Cause

The District's ESA has not implemented adequate segregation of duties due to a lack of sufficient staff/resources.

Effect

Beneficiary cases recorded and authorized by an SSR with authority to act could be erroneous and/or inappropriate.

Recommendation

We recommend that ESA strengthen its current policies and procedures to require the SSR duties of recording and authorizing to be segregated.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The segregation of duties has been implemented in the Service Centers. ESA caseworkers are assigned, by Management, to one of two eligibility units: Intake or Processing. Staff assigned to Intake will conduct the interview and record information. The caseworkers assigned to the Processing Unit will complete case actions and determine eligibility.

Should staff be required to provide services to both units, at any given time, the Management Team will ensure that the case worker is not assigned the responsibility to complete both actions - intake and processing. Management staff persons (only) have access to the 'Action History' screen in ACEDS and can use this information to determine, based on employee codes, which staff initiated the action so that the same caseworker is not assigned to process the case.

After a review of this information, a management staff person will assign a case for processing. DHS expects that this strategy will mitigate the risk of error and fraud.

Finding Number	2014-070
Prior Year Finding Number	2013-070
Federal Program	Medicaid Cluster (93.775, 93.777, 93.778)
Federal Program Number	Various
Federal Agency	Department of Health and Human Services (HHS)
District Department	Department of Healthcare Finance (DHCF)
Compliance Requirement	Eligibility
Finding Related to ARRA	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for *“establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...”*

The Medicaid State Plan: Citation 42 CFR 431.17AT-79-29. Section 4.7 (Maintenance of Records) states, *“The Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of medical assistance, and administrative costs and statistical, fiscal and other records necessary for reporting and accountability, and retains these records in accordance with Federal requirements. All requirements of 42 CFR 431.17 are met.”*

Economic Security Administration (ESA) Policy Manual, Section 1.3, *“All eligibility criteria and clarifying information are documented on the Record of Case Action, form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case by reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipients, the record should include the dates pay is received and how often the recipient is paid. When the recipient’s statement is the best available source, the record should include the application/recipient’s and agency efforts to verify the information. All address changes should be documented.”*

Condition

During testing over beneficiary eligibility for the Medicaid benefits, we noted that DC Economic Security Administration (ESA) was unable to provide sufficient documentation to support the beneficiary’s eligibility determination during the fiscal year 2014 audit. Specifically, out of a sample of 65 beneficiary disbursement tested, we noted the following exceptions:

- Three (3) instances where ESA was unable to provide a completed and signed application package that included a completed and signed application form, supporting documentation and a completed and signed recertification form;
- One (1) Instance where ESA was unable to provide proof of U.S. citizenship or valid legal residency;
- Two (2) Instances where ESA was unable to provide proof of residency within the District; and
- One (1) instance where ESA was unable to provide a signed application form and signed recertification form covering the audit period.

We determined that the District paid \$381,301 in federal awards during fiscal year 2014 for claims related to those seven (7) Medicaid beneficiaries. This amount represents 10% of the total amounts paid by the District in fiscal year 2014 for claims related to the 65 Medicaid beneficiaries sampled of \$3,694,163. The District paid a total of \$1,721,265,401 in federal awards to all Medicaid beneficiaries in fiscal year 2014.

Cause

The District did not consistently adhere to its established policies and procedures requiring it to maintain documentation supporting participant eligibility.

Effect

The District is not in full compliance with its policies and with Federal program requirements regarding records maintenance. Further, ineligible Medicaid beneficiaries may receive benefits under the Medicaid grant and the District may make payment on behalf of those beneficiaries.

Recommendation

We recommend that the District consistently adhere to policies and procedures for maintaining case record documentation and improve its controls over monitoring compliance. We observed that the District is in the process of implementing a new eligibility system DCAS which will help address the condition over time.

Related Noncompliance

Material noncompliance

Questioned Costs

Known: \$381,301

Views of Responsible Officials

DHS will purchase desktop scanners to allow for immediate scanning/capturing of documents/documentation relevant to participant eligibility. The scanned information will be loaded into the customer's record in DIMS.

The scanners will be placed in the Customer Waiting Area and Case Record Management Unit (CRMU). Caseworkers will have the responsibility for scanning documents upon receipt. The first phase of deployment for the scanners is scheduled to be implemented by June 30th, 2015, and will take place one Service Center at a time. This initiative is expected to remedy the finding of insufficient documentation and should decrease the time currently required to forward documents to the Case Record Management Unit (CRMU)

Finding Number	2014-071
Prior Year Finding Number	2013-069
Federal Program	Medicaid Cluster (93.775, 93.777, 93.778)
Federal Award Number	Various
Federal Agency	Department of Health and Human Services
District Department	Department of Health Care Finance (DHCF)
Compliance Requirement	Special Tests and Provisions – Utilization Control and Program Integrity
Finding Related to ARRA	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...*”

Health Care Accountability Administration Office of Program Integrity (OPI) Policies and Procedures: Part II . Conduct of Preliminary Investigation of Suspected Fraud: *4. The investigator prepares a written report of the case which must be approved by the Chief Investigator before the case can be closed, or before the case can be referred to the Director of the Health Care Accountability Administration (HCAA) prior to referral to the MFCU or any other law enforcement groups.*

42 CFR § 455.13 *Methods for identification, investigation, and referral.* The Medicaid agency must have - (a) Methods and criteria for identifying suspected fraud cases; (b) Methods for investigating these cases that— (1) Do not infringe on the legal rights of persons involved; and (2) Afford due process of law; and (c) Procedures, developed in cooperation with State legal authorities, for referring suspected fraud cases to law enforcement officials.

42 CFR § 455.14 *Preliminary Investigation.* If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation.

42 CFR § 455.15(b) states in part, “if the findings of a preliminary investigation give the agency reason to believe that an incident of fraud or abuse has occurred in the Medicaid program, the agency must take the following action as appropriate...if there is reason to believe that a recipient has defrauded the Medicaid program, the agency must refer the case to an appropriate law enforcement agency. As per 42 CFR § 455.15 “the agency must refer all cases of suspected provider fraud to the Medicaid fraud control unit”.

Condition

The Division of Program Integrity within the District’s Department of Health Care Finance (DHCF) conducts post-payment audits and investigations of Medicaid providers. The department initiates investigations as a result of outside tips or audit findings and upon the completion of the preliminary investigations, refers the cases to the Medicaid Fraud Control Unit (MFCU), the Federal Bureau of Investigation (FBI) and/or Department of Human and Health Services, Office of the Inspector General

(OIG). The investigators document the decision to close the preliminary investigation or refer the case to any or all of these agencies in the Case Referral Memo.

During our testing over utilization control and program integrity for the Medicaid program, we noted the following deficiencies in the processes:

Investigations:

- For four (4) of the nine (9) case files sample, the case referral memo was not signed and there was no evidence that the case was received by any of the three investigation bureaus.
- For one (1) of the nine (9) case files reviewed, the case did not contain a signed Report of Investigation.

Utilization Review Desk Audits:

- DHCF was not able to provide the desk audit file for one (1) of the 25 samples selected to test utilization review control. As such, we were unable to determine that the case was reviewed in accordance with the district's policies and procedures as set forth in 1902(a)(30) of the Social Security Act and 42 CF 456.

Cause

Management did not adhere to their internal controls that are in place to review and approve case results prior to closing or referring the case on to law enforcement. Additionally, the case file management system is informal and as a result there are variations in the level of documentation that is retained for each case which resulted in management not retaining all necessary documentation pertaining to utilization review desk audits.

Effect

Without adhering to internal controls, suspected fraud cases may not be properly investigated and referred to the MFCU or other law enforcement agencies for review. Additionally, for utilization review desk audits, the District may not recoup the total amount of overpayment if there is no proper and complete documentation of the desk audit and amount of overpayment which can result in noncompliance with the special tests and provisions.

Recommendation

We recommend that the District strengthen its current policies and procedures with respect to the review and approval of the closing documents. Additionally, we recommend the District formalize their policies and procedures for the utilization desk audits to ensure the appropriate documentation is obtained and maintained to support the conclusions reached.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The four case files referenced regarding no evidence or documentation that the case was received by any of the three investigation bureaus is correct. The cases referenced were active investigations that had not been referred to any of the three law enforcement bureaus but were awaiting internal review from the Medicaid Director and a suspension committee review before the investigation would be sent to law enforcement. Thus there would not be documentation of referral contained within the case file.

Finding Number	2014-072
Prior Year Finding Number	N/A
Federal Program	Medicaid Cluster (93.775, 93.777, 93.778)
Federal Award Number	Various
Federal Agency	Department of Health and Human Services
District Department	Department of Health Care Finance (DHCF)
Compliance Requirement	Special Tests and Provisions – Provider Eligibility
Finding Related to ARRA	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...*”

Title XIX requires that the District of Columbia enter into written agreements with persons or institutions providing services under the State's plan for Medical Assistance. It also requires that the providers -when applicable - must (1) be licensed in the jurisdiction where located and/or the District of Columbia; (2) be currently in compliance with standards for licensure; (3) services be administered by a licensed or certified practitioner; and (4) comply with applicable federal and District standards for participation in the Title XIX of the Social Security Act.

42 CFR 455 states:

“455.412 Verification of provider licenses...

The State Medicaid agency must—... (b) Confirm that the provider's license has not expired and that there are no current limitations on the provider's license....

§455.414 Revalidation of enrollment.

The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years....

§455.416 Termination or denial of enrollment.

The State Medicaid agency—

- (a) Must terminate the enrollment of any provider where any person with a 5 percent or greater direct or indirect ownership interest in the provider did not submit timely and accurate

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 1396a(a)(9)) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106).”

Condition

During testing over Medicaid provider eligibility, we noted that the Department of Health Care Finance (DHCF) was unable to provide sufficient documentation to support the providers' eligibility determination during the fiscal year 2014 audit. Specifically, of a sample of 65 Medicaid providers, we noted the following exceptions:

- Three (3) instances where DHCF was unable to provide the Medicaid provider files.
- One (1) instance where DHCF was unable to provide evidence of valid practitioner licensure information for the period under audit (e.g. licensure was expired or absent).

Cause

The District did not adhere to its internal controls regarding provider eligibility determinations by ensuring that all provider files are properly reviewed and maintained to support eligibility determinations.

Effect

Without proper review of files, ineligible Medicaid providers could receive payments for Medicaid services from the District. In addition, failure to maintain sufficient documentation to support the eligibility determination for providers could result in disallowances.

Recommendation

We recommend that the District consistently adhere to policies and procedures for maintaining case record documentation and improve its controls over monitoring compliance. In addition, we recommend that the District develop policies and procedures to properly evaluate and review the eligibility of providers consistent with 42 CFR 455 by collecting and retaining proper documentation listed above to consistently support Medicaid provider eligibility determinations.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DHCF continues to work with Xerox on improving the internal controls and process by including a quarterly QA audit to ensure provider files are current and have sufficient documentation. DHCF will also work with Xerox on developing policies and procedures to ensure provider documentation is appropriately collected and retained.

<i>Finding Number</i>	2014-073
<i>Prior Year Finding Number</i>	2013-071
<i>Federal Program</i>	HIV Emergency Relief Project Grants (93.914)
<i>Federal Award Number</i>	2 H89HA00012-24-00 (3/1/14-2/28/15) 2 H89HA00012-23-00 (3/1/13-2/28/14)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

Per 2 CFR part 225:

“(4) 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 which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Condition

We noted that DOH continued to allocate payroll expenditures to the HIV Care Formula Grant (HIV Care) program during fiscal year 2014 based on budgeted percentages. These percentages were entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the fiscal year and were based management's estimate of the respective employee's level of effort for each program. PeopleSoft calculated the payroll costs every payroll cycle for each employee and program based on the predetermined percentage, and reported it through the Labor Distribution Report (485 Report). However, management did not perform a periodic comparison of actual costs to the budgeted costs and make any necessary adjustment as required by OMB Circular A-87 B8 (h) (i.e., 2 CFR part 225).

Cause

The District did not have policies and procedures in place to review the estimated amounts of payroll expenditures charged to the HIVER program to the actual expenditures incurred. Per discussion with DOH management, the implementation of "combo codes" within PeopleSoft, that would allow employees to track their time across multiple programs, had not been completed by the end of fiscal year 2014.

Effect

DOH was unable to demonstrate that the payroll expenditures charged to the HIVER grant accurately reflected the time incurred on the program and were properly supported in accordance with OMB Circular A-87 effort reporting requirements.

Recommendation

1. Implement interim policies and procedures to periodically compare employees' estimated hours per the 485 report to the actual hours incurred, and make any necessary adjustments as required by OMB Circular A-87 until they fully implement the combo codes; and
2. Continue with its plans to implement the combo codes. In addition, management should develop policies and procedures to ensure employees are properly tracking their time to multiple cost objectives once the new system is implemented.

Related Noncompliance

Material noncompliance

Questioned Costs

Unable to be determined. However, payroll costs, including fringe benefits, for HIVER in fiscal year 2014 were \$1,699,037.

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding. Because this is a repeat finding, the DOH senior management will put into place accelerated 45-day corrective action to have the agency in full compliance with the federal regulations by July 30, 2015. The corrective action plan shall build on milestones already reached in FY 14 to require the utilization of the combo code function of the existing PeopleSoft payroll system for time reporting. FY 14 activities supported configuration of the system, planning for phased piloting which included dual systems for manual and electronic time entry and

maintenance of personnel activity reports. The DOH Office of the Director will convene a senior management team comprised of agency leads for human resources, grants management, IT and finance to ensure that this deficiency is fully remedied. Persons responsible for implementing this shall be the Chief of the Office of Grants Management and the DOH Human Resources Director who shall engage the senior managers for all Administrations within DOH.

<i>Finding Number</i>	2014-074
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Emergency Relief Project Grants (93.914)
<i>Federal Award Number</i>	2 H89HA00012-23-00 (3/1/13-2/28/14)
	2 H89HA00012-24-00 (3/1/14-2/28/15)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Cash Management

Criteria

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implements the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

The District's *Cash Management Improvement Act (CMIA) Agreement with the US Department of Treasury*, Section 6.1.1 states, "The State shall request Federal funds in accordance with the appropriate cut-off times shown in Exhibit I to ensure funds will be received and credited to a State account by the times specified in the funding techniques."

The District's *Cash Management Improvement Act (CMIA) Agreement with the US Department of Treasury*, Section 6.2.4 states, "The following are terms under which State unique funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3.2 of this Agreement

Restricted Draw – The District has been placed under restricted draw for this grant by the cognizant Federal agency. The District shall request reimbursement within 5 days of approval of reported expenditures. The amount of the reimbursement will be the total amount approved for draw by the Federal agency."

Condition

To test DOH's compliance with the CMIA agreement for fiscal year 2014, we selected a sample of five drawdowns related to the HIVER grant program for testing. For one of the five drawdowns selected for testing, we determined that DOH did not request reimbursement within five days of the HRSA approval of reported expenditures as required.

Cause

DOH did not have policies and procedures in place to monitor drawdowns to ensure they were requested in accordance with the funding technique prescribed in the CMIA agreement.

Effect

DOH was not in compliance with the cash management requirement and the CMIA agreement.

Recommendation

We recommend that management implement policies and procedures to appropriately monitor their drawdown requests to ensure funds are requested in accordance with the funding technique prescribed in the CMIA agreement.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health, Office of the Chief Financial Officer concurs with this finding and offers an explanation. A number of factors contributed to the delay in requesting reimbursement, including staff leave, a staff vacancy, and intensified workload during the time period including responding to federal site visits and preparation for grant close-out. The Office of the Chief Financial Officer commits to implementing policies and procedures to better monitor drawdowns and ensuring that it is in compliance with the District's Cash Management Improvement Act Agreement with the US Department of Treasury.

<i>Finding Number</i>	2014-075
<i>Prior Year Finding Number</i>	2013-073
<i>Federal Program</i>	HIV Emergency Relief Project Grants (93.914)
<i>Federal Award Number</i>	2 H89HA00012-23-00 (3/1/13-2/28/14)
	2 H89HA00012-24-00 (3/1/14-2/28/15)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-87 (2 CFR part 225) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

42 USC 300 ff-14(c)(1) requires that "... not less than 75 percent of the amount remaining after reserving amounts for eligible metropolitan area (EMA) or transitional grant area (TGA) administration and a clinical quality management program shall be used to provide core medical services to eligible individuals in the eligible area (including services regarding the co-occurring conditions of those individuals)."

42 USC 300 ff-14(h)(1) requires that "...not more than 10 percent of the amount awarded to the EMA or TGA may be used for administration at that level."

Condition

DOH provided us the Minority HIV/AIDS Initiative (MAI) expenditure report for the period March 1, 2013 through February 28, 2014 that was used to calculate the earmarking requirement. Based on our review of the report, we noted that DOH incorrectly calculated the earmarking percentages per the grant agreement requirements. When the correct calculations were used, the earmarking percentages exceeded the allowable limits. In addition, DOH was unable to provide the underlying supporting documentation to support the amounts in the report.

Cause

DOH did not implement a process to monitor the types of expenditures subject to the earmarking requirements throughout the year. Additionally, we noted there were lack of policies and procedures related to what documentation was required to be maintained to support the spreadsheets used to verify how the earmarking requirements were met. There were also policies and procedures in place that required management to review the calculated earmarking requirements to ensure they were performed correctly and were properly supported.

Effect

DOH was not able to demonstrate compliance with the earmarking requirements.

Recommendation

We recommend that management develop and implement:

1. A process to monitor the types of expenditures subject to earmarking throughout the year; and
2. Policies and procedures to specify what documentation should be maintained to support how the earmarking requirements are met, and to require management review of the earmarking percentages to ensure they are calculated correctly and properly supported.

Related Noncompliance

We are unable to conclude on compliance due to the scope limitation described above.

Questioned Costs

None

Views of Responsible Officials

The District of Columbia Department of Health (DOH) concurs with this finding regarding earmarking for the HIV Emergency Relief Grants (93.914) and accepts the recommendations of the NFR. DOH senior management will address this repeat finding by requiring an accelerated 45-day plan to immediately revise protocols and tools for tracking and validating expenditure data derived from earmarked portions of the grant. DOH will strengthen these controls by elevating the level of accountability to responsible managers, by requiring quarterly certification of the expenditure detail and projections for earmarks.

<i>Finding Number</i>	2014-076
<i>Prior Year Finding Number</i>	2013-072
<i>Federal Program</i>	HIV Emergency Relief Project Grants (93.914)
<i>Federal Award Number</i>	2 H89HA00012-23-00 (3/1/13-2/28/14)
	2 H89HA00012-24-00 (3/1/14-2/28/15)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-87 (2 CFR part 225) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Regulation 31 USC 7502(f)(2)(B) states that "...each pass-through entity shall monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, 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."

Condition

The HIVER program had 18 subrecipients with expenditures totaling \$25,459,710 for fiscal year 2014. As part of our testing over the subrecipient monitoring compliance requirement, we selected a sample of eight subrecipients for testing that had expenditures totaling \$21,976,397. Based on our testing, we identified the following exceptions:

- For three of the eight subrecipients, DOH was unable to provide evidence that the grant on-site monitoring report was reviewed.
- For one of the eight subrecipients, we noted that the required Office of Management and Budget (OMB) Circular No. A-133 audit report was completed and submitted approximately three months late.

Cause

DOH did not have policies and procedures in place to ensure management review of the grant on-site monitoring reports were completed timely.

In addition, DOH did not have adequate policies and procedures in place to monitor subrecipients subject to OMB Circular A-133 to ensure the related audit reports were completed and submitted timely.

Effect

Without effective internal controls, DOH is not able to ensure they are complying with their grant monitoring requirements.

Recommendation

We recommend DOH implement a process to monitor supervisors' reviews to ensure they are completed in timely manner and that follow-up is performed when OMB Circular No. A-133 audits are not submitted on time.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding for the HIV Emergency Relief Grants (93.914). Since this is a repeat finding for this category, DOH senior management will ensure implementation of an accelerated 45-day corrective action plan to revise and implement DOH standard operating procedures for the sub-grantee on-site review process, including protocols for proper certification of the on-site review process and appropriate report sign-off by a supervisor.

DOH does not fully concur with the generalized "cause" cited by the auditor. DOH does indeed have policies and procedures in place for management review of site visit reports. DOH has made management changes and applied appropriate penalties for non-compliance by staff responsible for the condition cited in this finding. In a review of the cause, DOH senior management asserts that controls will be put in place to track the status of site visit activities, including reporting. DOH will address the cause by immediately instituting a process for elevating certification and sign-off responsibilities in the absence of the assigned manager. Notably, since January 2015, HAHSTA has implemented a site visit workgroup, created a centralized calendar and tracking system for site visit scheduling and reporting. Also, DOH has already integrated these controls into the functional design and business requirements for the new DOH Electronic Grants Management System (EGMS).

Additionally, protocols exist for receipt and review of subrecipient A-133 reports and these controls are integrated into solicitations, pre-award engagement, award issuance and monitoring of subgrants. Staff are assigned to track all A-133 audits.

The DOH Office of Grants Management (OGM) will continue to be the responsible unit for implementing corrective actions targeting three efforts: (1) reissuance of standard operating procedures for monitoring; (2) development and monitoring of key performance indicators for increasing efficiencies in subrecipient monitoring and (3) full implementation of the DOH Electronic Grants Management Solution (EGMS), which will make available an on-line environment and tool-kit for monitors, supervisors and subrecipients to conduct core grants management tasks.

<i>Finding Number</i>	2014-077
<i>Prior Year Finding Number</i>	2013-074
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-24-00(4/1/14 – 3/31/15) 2 X07HA00045-23-00(4/1/13 – 3/31/14)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

Per 2 CFR part 225:

“(4) 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 which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

Condition

We noted that DOH continued to allocate payroll expenditures to the HIV Care Formula Grant (HIV Care) program during fiscal year 2014 based on budgeted percentages. These percentages were entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the fiscal year and were based management's estimate of the respective employee's level of effort for each program. PeopleSoft calculated the payroll costs every payroll cycle for each employee and program based on the predetermined percentage, and reported it through the Labor Distribution Report (485 Report). However, management did not perform a periodic comparison of actual costs to the budgeted costs and make any necessary adjustment as required by OMB Circular A-87 B8 (h) (i.e., 2 CFR part 225).

Cause

The District did not have policies and procedures in place to review the estimated amounts of payroll expenditures charged to the HIV Care program to the actual expenditures incurred. Per discussion with DOH management, the implementation of "combo codes" within PeopleSoft, that would allow employees to track their time across multiple programs, had not been completed by the end of fiscal year 2014.

Effect

DOH was unable to demonstrate that the payroll expenditures charged to the HIV Care grant accurately reflected the time incurred on the program and were properly supported in accordance with OMB Circular A-87 effort reporting requirements.

Recommendation

We recommend that management:

1. Implement interim policies and procedures to periodically compare employees' estimated hours per the 485 report to the actual hours incurred, and make any necessary adjustments as required by OMB Circular A-87 until they fully implement the combo codes; and
2. Continue with its plans to implement combo codes. In addition, management should develop policies and procedures to ensure employees are properly tracking their time to multiple cost objectives once the new system is implemented.

Related Noncompliance

Material noncompliance

Questioned Costs

Unable to be determined. However, payroll costs, including fringe benefits, for HIV Care in fiscal year 2014 were \$1,256,103.

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding. Because this is a repeat finding, the DOH senior management will put into place accelerated 45-day corrective action to have the agency in full compliance with the federal regulations by July 30, 2015. The corrective action plan shall build on milestones already reached in FY 14 to require the utilization of the combo code function of the existing

PeopleSoft payroll system for time reporting. FY 14 activities supported configuration of the system, planning for phased piloting which included dual systems for manual and electronic time entry and maintenance of personnel activity reports. The DOH Office of the Director will convene a senior management team comprised of agency leads for human resources, grants management, IT and finance to ensure that this deficiency is fully remedied. Persons responsible for implementing this shall be the Chief of the Office of Grants Management and the DOH Human Resources Director who shall engage the senior managers for all Administrations within DOH.

<i>Finding Number</i>	2014-078
<i>Prior Year Finding Number</i>	2013-077
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-23-00(4/1/13- 3/31/14) 2 X07HA00045-24-00 (4/1/14-3/31/15)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implements the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

The District's *Cash Management Improvement Act (CMIA) Agreement with the US Department of Treasury*, Section 6.1.1 states, "The State shall request Federal funds in accordance with the appropriate cut-off times shown in Exhibit I to ensure funds will be received and credited to a State account by the times specified in the funding techniques."

The District's *Cash Management Improvement Act (CMIA) Agreement with the US Department of Treasury*, Section 6.2.4 states, "The following are terms under which State unique funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3.2 of this Agreement

Restricted Draw – The District has been placed under restricted draw for this grant by the cognizant Federal agency. The District shall request reimbursement within 5 days of approval of reported expenditures. The amount of the reimbursement will be the total amount approved for draw by the Federal agency."

Condition

To test DOH's compliance with the CMIA agreement for fiscal year 2014, we selected a sample of five drawdowns related to the HIV Care grant program for testing. For two of the five drawdowns selected for testing, we determined that DOH did not request reimbursement within five days of the HRSA approval of reported expenditures as required.

Cause

DOH did not have policies and procedures in place to monitor drawdowns to ensure they were requested in accordance with the funding technique prescribed in the CMIA agreement.

Effect

DOH was not in compliance with the cash management requirement and the CMIA agreement.

Recommendation

We recommend that management implement policies and procedures to appropriately monitor their drawdown requests to ensure funds are requested in accordance with the funding technique prescribed in the CMIA agreement.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health, Office of the Chief Financial Officer concurs with this finding and offers an explanation. A number of factors contributed to the delay in requesting reimbursement, including staff leave, a staff vacancy, and intensified workload during the time period including responding to federal site visits and preparation for grant close-out. The Office of the Chief Financial Officer commits to implementing policies and procedures to better monitor drawdowns and ensuring that it is in compliance with the District's Cash Management Improvement Act Agreement with the US Department of Treasury.

<i>Finding Number</i>	2014-079
<i>Prior Year Finding Number</i>	2013-076
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-23-00(4/1/13- 3/31/14) 2 X07HA00045-24-00 (4/1/14-3/31/15)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-87 (2 CFR part 225) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

42 USC 300ff-26(b) states, "...to be eligible to receive assistance in the form of therapeutics, an individual must have a medical diagnosis of HIV/AIDS and be a low-income individual, as defined by the State."

Condition

During our walkthrough of the ADAP eligibility process, we noted that eligibility re/determinations were not independently reviewed by someone other than the preparer to ensure the re/determinations were appropriately performed.

Additionally, we noted that for 1 of the 65 individuals selected for testing, DOH was unable to provide documentation to support the individual's proof of assets. Therefore, we could not determine if the individual was eligible to receive ADAP benefits.

Cause

DOH did not have policies and procedures in place to require eligibility determinations be reviewed by someone other than the preparer to ensure the eligibility requirements were properly met and supported.

Effect

Without proper controls over eligibility redeterminations, there is an increased risk that ineligible participants may receive benefits under the HIV Care grant. Additionally, DOH was not in compliance with the eligibility compliance requirements.

Recommendation

We recommend that management develop and implement policies and procedures that require management to perform a quality control review of eligibility determinations to ensure they are properly performed and supported.

Related Noncompliance

Noncompliance

Questioned Costs

Unable to be determined

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding regarding review of eligibility determinations for the AIDS Drug Assistance Program (ADAP). DOH had already begun implementing a policy that would ensure a secondary level of review of eligibility, as it was outlined in a corrective action plan for the prior year's audit. Beginning August 2014 DOH implemented policies and procedures requiring that eligibility determinations be reviewed by someone other than the preparer to ensure the eligibility requirements were properly met and supported. Secondary reviews are conducted by two staff who do not conduct initial eligibility screenings. A record of the secondary reviews is maintained and will be periodically reviewed by the ADAP manager. The HIV/AIDS, Hepatitis, STD and TB Administration (HAHSTA) staff responsible for oversight of HIV Care Formula grants will be responsible for ensuring the approved ADAP Policy is fully implemented and all responsible assigned staff are trained.

<i>Finding Number</i>	2014-080
<i>Prior Year Finding Number</i>	2013-077
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-23-00(4/1/13- 3/31/14) 2 X07HA00045-24-00 (4/1/14-3/31/15)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 states that "...non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements."

Title 42 of the United States Code (USC), section 300ff-28(b)(2) requires that " ...no more than 10 percent of the amounts received under the grant be used for planning and evaluation activities."

42 USC 300ff-28(b)(3) requires that "...no more than 10 percent of the funds amounts received under the grant be used for administration."

42 USC 300ff-28(b)(5) requires that "...no more than a total of 15 percent of the amounts received be used for the combined costs for administration, planning, and evaluation. States and territories that receive a minimum allotment (between \$200,000 and \$500,000) may expend up to the amount required to support one full-time equivalent employee for any or all of these purposes."

42 USC 300ff-28(b)(3)(B) requires that "...the aggregate of expenditures for administrative expenses by entities and subcontractors (including consortia) funded directly by the State from grant funds ("first-line entities") may not exceed 10 percent of the total allocation of grant funds to the State (without regard to whether particular entities spend more than 10 percent for such purposes)."

42 USC 300ff-21(b) requires that "...for the purpose of providing health and support services to women, youth, infants, and children with HIV disease, including treatment measures to prevent the perinatal transmission of HIV, a State shall use for each of these populations not less than the percentage of Title II or Part B funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS."

42 USC 300ff-26(c) requires that "...a State shall use a portion of the funds awarded to establish a program to provide therapeutics to treat HIV/AIDS or prevent the serious deterioration of health arising from HIV/AIDS in eligible individuals, including measures for the prevention and treatment of opportunistic infections. The amount of this specific earmark for ADAP will be provided in the grant agreement. Of the amount earmarked in the grant agreement for this purpose, the State may use not more than 5 percent to encourage, support, and enhance adherence to and compliance with treatment regimens (including related medical monitoring) unless the Secretary (or designee) approves a 10 percent limit."

42 USC 300ff-28(b)(3)(E) requires that "...a State shall establish a quality management program to determine whether the services provided under the grant are consistent with the most recent Public Health Service guidelines for the treatment of HIV disease and related opportunistic infection and, as applicable,

to develop strategies for bringing these services into conformity with the guidelines. Funds used for this purpose may not exceed the lesser of 5 percent of the amount received under the grant or \$3,000,000, and are not considered administrative expenses for purposes of the limitation under paragraph 3.b above.”

42 USC 300ff-22(b) requires that “...unless waived by the Secretary, HHS (or designee), not less than 75 percent of the amount remaining after reserving amounts for State administration and a clinical quality management program shall be used to provide core medical services to eligible individuals with HIV/AIDS (including services regarding the co-occurring conditions of those individuals.”

Condition

DOH provided us the Minority HIV/AIDS Initiative (MAI) expenditure report for the period April 1, 2013 through March 31, 2014 that was used to calculate the earmarking requirement. Per our review of the report, we noted the earmarking percentage was 16.05%, which exceeded the allowable limit of 15%. In addition, DOH was unable to provide the underlying supporting documentation to support the amounts in the report.

Cause

DOH did not implement a process to monitor the types of expenditures subject to the earmarking requirements throughout the year. Additionally, we noted there were lack of policies and procedures related to what documentation was required to be maintained to support the spreadsheets used to verify how the earmarking requirements were met.

Effect

DOH was not in compliance with the earmarking requirements.

Recommendation

We recommend that management:

1. Implement a process to monitor the types of expenditures subject to earmarking throughout the year; and
2. Develop and implement policies and procedures to specify what documentation should be maintained to support how the earmarking requirements were met.

Related Noncompliance

We are unable to conclude on the requirement due to the scope limitation described above.

Questioned Costs

Unable to be determined

Views of Responsible Officials

The District of Columbia Department of Health (DOH) concurs with the finding regarding earmarking for the HIV Care Formula Grants (93.917) and accepts the recommendations of the NFR. DOH senior management will address this repeat finding by requiring an accelerated 45-day plan to immediately revise protocols and tools for tracking and validating expenditure data derived from earmarked portions of the grant.

<i>Finding Number</i>	2014-081
<i>Prior Year Finding Number</i>	2013-075
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-23-00(4/1/13- 3/31/14) 2 X07HA00045-24-00 (4/1/14-3/31/15)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-87 (2 CFR part 225) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Regulation 31 U.S.C 7502(f)(2)(B) states, "...each pass-through entity shall monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, 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."

Condition

The HIV Care program had 14 subrecipients with total expenditures totaling \$4,449,439 during fiscal year 2014. As part of our testing over the subrecipient monitoring compliance requirement, we selected a sample of eight subrecipients for testing that had expenditures totaling \$3,961,291. Based on our testing, we noted DOH was unable to provide evidence that the grant on-site monitoring report was reviewed for one of the eight subrecipients tested.

Cause

DOH did not have policies and procedures in place to ensure management review of the grant on-site monitoring reports were completed timely.

Effect

Without effective internal controls, DOH is not able to ensure they are complying with their grant monitoring requirements.

Recommendation

We recommend DOH implement a process to monitor supervisors' reviews to ensure they are completed in timely manner.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding for the HIV Care Formula Grant (93.917). Since this is a repeat finding for this category, DOH senior management will ensure implementation of an accelerated 45-day corrective action plan to revise and implement DOH standard operating procedures for the sub-grantee on-site review process, including protocols for proper certification of the on-site review process and appropriate report sign-off by a supervisor.

While there is DOH concurrence with the finding, DOH does not fully concur with the generalized "cause" cited by the auditor. DOH does indeed have policies and procedures in place for management review of site visit reports. DOH has made management changes and applied appropriate penalties for noncompliance by staff responsible for the condition cited in this finding. In a review of the cause, DOH senior management asserts that controls will be put in place to track the status of site visit activities, including reporting. Additionally, DOH will address the cause by immediately instituting a process for elevating certification and sign-off responsibilities in the absence of the assigned manager. Notably, since January 2015, HAHST A has implemented a site visit workgroup, created a centralized calendar and tracking system for site visit scheduling and reporting. Also, DOH has already integrated these controls into the functional design and business requirements for the new DOH Electronic Grants Management System (EGMS).

The DOH Office of Grants Management (OGM) will continue to be the responsible unit for implementing corrective actions targeting three efforts: (1) reissuance of standard operating procedures for monitoring; (2) development and monitoring of key performance indicators for increasing efficiencies in subrecipient monitoring and (3) full implementation of the DOH Electronic Grants Management Solution (EGMS), which will make available an on-line environment and tool-kit for monitors, supervisors and subrecipients to conduct core grants management tasks.