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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, 2013

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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, 2013



GOVERNMENT OF THE DISTRICT OF COLUMBIA

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*

September 30, 2013



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

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 discretely presented component units, the budgetary comparison schedule, 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, 2013, 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 30, 2014. 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 2013-001 through 2013-004 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 2013-004 in the accompanying schedule of findings and responses to this report.

District's Responses to the 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 30, 2014

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Finding 2013-01 – 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 Development¹, 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, pervasive GITC-related issues continue to exist within Access to Programs and Data and Program Changes.

Due to the deficiencies noted within the Banner, Medical Information Technology, Inc (MEDITECH), Time Attendance and Court Information System (TACIS), Automated Client Eligibility Determination System (ACEDS), PeopleSoft, Procurement Automated Support System (PASS), and the Computer Assisted Mass Appraisal (CAMA) 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.

In some cases, the District has already remediated several GITC deficiencies during fiscal year (FY) 2013. However, as these remediation efforts did not take place until FY 2013 was well under way, the conditions continued to exist during part of the fiscal year and thus are included in this year’s report.

Our FY 2013 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 both physical and 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.

¹ There were no significant system development projects with financial statement impact in 2013. As such, Program Development was not tested.

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3. Use of generic accounts to perform system administration or end user functions within key applications without adequate monitoring controls over such activities.
4. In August 2012, the Office of the Chief Technology Officer (OCTO) implemented a revised password policy, which required the enforcement of strong password settings on all environments under the purview of the policy. However, in reviewing password settings configured on these environments during FY 2013 testing, it was noted that some settings deviated from the OCTO Password Policy. These settings were later remediated between August and October 2013. Additionally, failure to consistently implement the Office of Chief Financial Officer (OCFO) / Office of Chief Information Officer (OCIO) Password Policy was also noted.

Program Changes

Conditions:

1. Failure to institute well-designed program change policies that establish procedural and documentation requirements for authorizing, developing, testing, and approving changes to key financial applications and related infrastructure software² in the production environment.
2. Inconsistent adherence to established program change management procedures, including instances in which changes made to the system were not approved, tested or documented appropriately per the established procedures.
3. 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.

² Infrastructure changes refer to software changes and updates applied to underlying operating systems and databases supporting the key financial applications.

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The table below summarizes the key financial applications tested as part of the FY 2013 Financial Statement Audit. It includes findings from all applications, including those not specifically mentioned in the significant deficiency above.

Table 1: Summary of Applications Impacted by the Findings

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

+ CFO\$olve was added into scope in FY 2013. The system had not previously been tested.

* For UMC, new controls were tested in FY 2013. While new findings were added because of the additional scope, there were FY 2012 findings that were also remediated.

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

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

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®) 4.1, 2007.

Cause/Effect:

The findings highlighted above include weaknesses in both the design and operating effectiveness of controls considered relevant to the Access to Programs and Data and Program Changes areas. Although management has made progress remediating previous findings, most notably within Computer Operations, additional improvements in formalizing key GITC processes and creating an effective monitoring function are needed. 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

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reports and the ability to rely upon automated, configurable controls embedded within key financial applications.

Recommendations:

We noted that management did remediate several control deficiencies from the prior year. There were 37 findings documented in FY 2012. Of them:

- 1 represented a finding that had been remediated during FY 2012 (as part of remediation efforts for FY 2011 findings);
- 13 were remediated during FY 2013; and,
- 6 were partially remediated during FY 2013.

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.

To the extent the findings are not remediated, 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, independently performed monitoring of the activities of users provided with conflicting system access 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.
 - c. Restrict the use of generic IDs or, if such access is required, implement independent monitoring of the activities performed using generic IDs.

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- d. Formally document and consistently adhere to a physical access management policy and procedures for all server rooms. We recommend that these include, at a minimum, procedural and documentary requirements for:
 - i. Requesting and approving physical access;
 - ii. Timely disablement/removal of physical access rights during instances of employee separations; and
 - iii. Performing periodic reviews of access in consideration of users' ongoing need to retain physical access, and the modification of any updates required as a result of inappropriate access identified during the review process.
 - e. Consistently implement documented password policies across all production applications and underlying infrastructure systems.
- 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 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, any suspicious activity, such as modifications to functionality or data without corresponding change request approvals, should be followed-up upon, as necessary.
 - b. Consistently adhere to established program change management procedures, including approval, testing, and documentation.
 - c. Configure settings or implement monitoring tools to log changes made to application functionality, including all configuration changes.

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.

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Management Response:

The District concurs with the findings as reported by the auditors and acknowledges that there are control deficiencies in the area of general information technology. Over the course of the last several years, the District has developed a comprehensive remediation plan that is designed to address and resolve audit findings related to the District's GITC. Many of the planned corrective actions have been fully implemented and as a result, improvements have been made which have strengthened internal controls and enhanced operational efficiency. Nevertheless, the District recognizes that certain planned corrective actions require more time for full implementation. Therefore, consistent with the current remediation plan, the District will continue in its efforts to implement measures designed to fully resolve weaknesses in controls as reported by the independent auditors. In so doing, as part of that process, we will also incorporate the recommendations made by the independent auditors.

Finding 2013-02 – Weaknesses in the District's Financial Reporting for Cash and Investments

Condition:

During our (FY 2013 testwork over the bank account management process, we noted that the District has begun a clean-up effort to remove all invalid Bank IDs (BIDs) and related balances from the general ledger, to address our prior year finding. However, the remediation effort was not fully completed during FY 2013, and the following conditions were identified:

- We noted that for 26 of 402 account balances confirmed with the financial institution, the balance recorded in the general ledger was not accurate. This resulted in an aggregate overstatement of \$18,791,266 to Cash and Cash Equivalents and Investments balances recorded in the District's financial statements as of September 30, 2013. Specifically, we noted the following:
 - For 11 of 26 reconciliations tested, we identified downward adjustments to be recorded to the general ledger for \$9,250,543. However, we noted the adjustments were not recorded timely, within 60 days subsequent to year-end;
 - For 12 of 26 reconciliations tested, we identified upward adjustments to be recorded to the general ledger for \$9,251,193. However, we noted the adjustments were not recorded timely, within 60 days subsequent to year-end;
 - For 1 of 26 reconciliations tested, the District determined an adjustment to the general ledger was booked twice in error, thus resulting in an overstatement of cash in the amount of \$14,967,588, which was not corrected by January 10, 2014 (over 100 days subsequent to year-end). The District recorded an adjustment to correct the error after it was brought to the District's attention as a result of our audit;

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- For 1 of 26 reconciliations tested, support could not be provided as the BID was managed by the Lottery and Games Fund. Upon further review, we determined the account balance was reported in both the Lottery and Games Fund and General Fund financial statements as of September 30, 2013. We determined the balance should be presented as cash in the Lottery and Games Fund, and thus the General Fund cash was overstated by \$2,126,485; and
- For 1 of 26 reconciliations tested, we noted an unsupported reconciling item for approximately \$20 million. Upon discussion with the District's Office of Financial Operations and Systems (OFOS), we noted the respective Bank ID encompasses 2 bank accounts, and the resolution of the majority of this reconciling item was to add the balance of the second bank account to the Bank ID. However, the resolution of this significant reconciling item was not identified until the issue was raised as a part of our audit. We inspected the bank statement provided, and noted a remaining understatement of \$75,920.
- Controls in place to ensure proper and timely authorization of closures of bank accounts were not fully effective during FY 2013. Specifically, we noted the following:
 - For 1 of 8 approved bank account closure forms tested, the bank account had been appropriately approved for closure during the fiscal year by Office of Finance and Treasury (OFT) management; however the Bank ID had a remaining balance in the general ledger of \$396,700 as of September 30, 2013. We determined the error results in an overstatement of the cash balance;
 - For 13 of 402 bank accounts tested, the bank account was deemed to be closed per the financial institution; however the status of the respective Bank ID per the OFT Listing of BIDs was inaccurately noted as "Active" or "Open". We noted the reported balance for these BIDs was \$0 per the general ledger. Therefore, there is no financial statement impact; and
 - For 1 of 402 bank accounts tested, the bank account was deemed to be open per the financial institution; however the status of the respective Bank ID per the OFT Listing of BIDs was inaccurately noted as "Closed". We noted the reported balance for the BID agreed to the confirmed balance per the financial institution. Therefore, there is no financial statement impact.
- Controls over monthly cash and investment account reconciliations were not fully effective during FY 2013. Specifically, we noted the following:
 - For 1 of 44 interim reconciliations tested, the reconciliation was not prepared and reviewed and approved within 60 days subsequent to the month-end; and

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- For 18 of 44 interim reconciliations tested, the reconciliations included reconciling items aged greater than 60 days from the date of the reconciliation. We inspected the respective September 2013 reconciliation, and determined that for 2 of the 18 accounts, all aged reconciling items were not removed by year-end. Further, 15 of 38 additional September 2013 reconciliations tested included reconciling items aged greater than 60 days from the date of the reconciliation. We determined all reconciling items were valid transactions, and thus there is no financial statement impact resulting from the control deficiency.
- We noted that the District’s suspense account, BID 999 contained outstanding balances amounting to approximately \$35 million as of September 30, 2013 that were not cleared by January 10, 2014 (100 days past the fiscal year-end). We noted the balance was comprised partially of intra-District transactions, along with offsetting adjustments to cash and investment balances.
- During our FY 2013 testwork over Bank ID (BID) 998, we noted that the account included a surety bond with a value of approximately \$6.2 million held in Fund 600 – Miscellaneous Agency Funds. This bond should not be reflected on the District’s financial statements because it is not an asset or liability of the District. This error has not been corrected in the financial statements.

Criteria:

Yellow Book, Appendix I, section A1.08 d., 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 the COSO Internal Control Integrated Framework:

Internal Control is broadly defined as a process, affected by an entity’s board of directors, management, or other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and Efficiency of Operations
2. Reliability of Financial Reporting
3. Compliance with Applicable Laws and Regulations

The COSO Internal Control Framework also identifies the five components of internal control, which include Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. With regard to Control Activities and Monitoring, the COSO Internal Control Framework states:

Control Activities – Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to

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achieve the entity’s objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Monitoring – Internal control systems need to be monitored—a process that assesses the quality of the system’s performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.

Per ASC 305-10-20, “cash includes not only currency on hand but demand deposits with banks or other financial institutions. Cash also includes other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.”

Cause/Effect:

- District Agencies are not timely investigating and resolving reconciling items. Additionally, OFOS appears to lack sufficient authority to enforce controls that are in place to ensure that material reconciling items are resolved prior to the issuance of the District’s financial statements. As a result, the balances of Cash and Investments reported in the District’s Governmental Funds were misstated as follows at September 30, 2013:

Financial Statement Line Item	General Fund	Federal & Private Resources	Housing Production Trust Fund	Capital Projects General Fund	Non-Major Governmental Funds	Total (Overstated)
Unrestricted Cash	\$(4,955,102)	\$ -	\$ -	\$ -	\$ -	\$(4,955,102)
Restricted Cash	828,326	128,159	143,153	343,874	(14,648,183)	(13,204,671)
Restricted Investments	(546,320)	-	(13,747)	-	(71,426)	(631,493)
Total	\$(4,673,096)	\$128,159	\$129,406	\$343,874	\$(14,719,609)	\$(18,791,266)

However, we noted the District subsequently recorded a correcting entry to reduce the balance of Restricted Cash reported in Non-Major Governmental Funds by \$14,967,588 as of September 30, 2013. As such, the net impact of the uncorrected misstatements to the Governmental Funds resulted in an overstatement of \$3,823,678.

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- The District lacks policies/procedures that address timely reporting of closed bank accounts by Agencies. Thus, agencies are not performing periodic reviews to timely identify and report closures of bank accounts to the Office of Finance & Treasury. Untimely notification regarding the closure of bank accounts, and/or inadequate monitoring of the bank accounts' status per the general ledger, could lead to misstatements of cash balances recorded in the financial statements and could increase the District's exposure to fraudulent bank account activity.
- The District does not have policies and procedures in place to ensure reconciling items and other adjustments to properly report cash/investments are recorded to the appropriate BID, and that the balance of the suspense account is \$0 at fiscal year-end. Inadequate or untimely resolution of reconciling items between the bank and the general ledger could lead to misstatements of cash balances recorded in the financial statements and could increase the District's exposure to fraudulent bank account activity.
- The failure to resolve suspense account balances in a timely manner prevents the District from being able to properly reconcile the District's accounts by BID, which could result in misstatements in cash and investment balances at fiscal year end.
- The District's controls over BID 998 were not operating effectively to prevent or detect and correct the improper recording of the surety bond as an asset in the District's financial statements as of September 30, 2013. As a result, the balance of Restricted Investments was overstated by \$6.2 million in the District's Agency Funds as of September 30, 2013.

Recommendations:

We recommend that the District:

- Improve its controls to ensure that all reconciling items are investigated and resolved within a 60- day time period, including making the required journal entries to correctly state the general ledger cash and investment balances.
- Establish controls to ensure that all significant reconciling items are investigated and resolved immediately upon identification to ensure the District's financial statements are not materially misstated at fiscal year end.
- Continue to perform monthly reconciliations on closed cash accounts until the general ledger account balance is zero and the account is closed in the general ledger.
- Remove all closed bank accounts from the general ledger within a reasonable time period to prevent personnel from erroneously posting journal entries to old accounts.
- Investigate cash and investment balances in BID 999, and reclassify balances to the appropriate BID.

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- Improve controls over BID 998 to ensure that all items meet the criteria to be included in cash and investments at fiscal year end.
- Review all BIDs to determine if all are necessary or any can be combined or eliminated.

Management Response:

Office of Financial Operations and Systems (OFOS) Response:

Management concurs that some reconciling entries were not recorded within 60 days after month-end. During FY 2013, OFOS developed and implemented a new policy that requires an agency to resolve reconciling items within 60 days of first appearing on a reconciliation. We will work diligently to enforce this new policy, including the use of a Red Alert process whereby information regarding unresolved reconciling items will be forwarded to the District's Chief Financial Officer, to ensure that significant reconciling items are given top priority. Further, we concur that the suspense account had a remaining balance as of September 30, 2013. We will investigate cash and investment balances in BID 999 and reclassify balances as appropriate.

Office of Finance and Treasury (OFT) Response:

Management concurs that the status for several bank accounts per the OFT listing was inaccurate and did not agree to the confirmed responses. OFT is developing additional controls designed to prevent such errors which resulted from a manual process. We also agree with the finding that a surety bond was improperly included in BID 998. OFT researched the issue and has reversed the incorrect entries related to BID 998 in reference to the surety bonds. Surety bonds are instruments issued by companies as "insurance" when the respective company is involved in a construction project in the District of Columbia that may result in damage to city property. As noted, we agree that such bonds should not be recorded in the general ledger.

Response – OCFO Agency Financial Operations (Office of Management and Administration and the Economic Development and Regulation Cluster):

We concur that two similar entries totaling \$14.97 million were recorded in an account that incorrectly stated revenue and cash due to a lack of clarity regarding the Guaranteed Interest Contracts (GICs) that were introduced in FY 2013. The respective program areas involved have agreed to work together to prevent similar misstatements in the future. We also concur that there was an unsupported reconciling item for approximately \$20 million. The agency will review the monthly reconciliations, research, and resolve outstanding reconciling items within a reasonable period of time.

Finding 2013-03 – Weaknesses in the District's Financial Reporting for Capital Assets

Condition:

As noted during our FY 2012 financial statement audit, during FY 2013, the District did not have uniform, District-wide policies and procedures, applied consistently across District agencies, for the identification of completed projects to ensure that projects are transferred from Construction-in-Progress (CIP) to fixed assets in the period in which the assets are placed in operation. We also

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noted that the methods being used by agencies to account for CIP continued to vary widely throughout the District, which resulted in a highly decentralized and inconsistently applied capital assets financial reporting process in FY 2013. Additionally, agencies' ad-hoc record keeping systems are only reconciled to the District's Fixed Assets System (FAS) and general ledger, System of Accounting and Reporting (SOAR), at fiscal year end. As such, the District was not able to verify the completeness and accuracy of capital asset transactions throughout FY 2013, and capital asset transactions were not recorded in FAS and SOAR on a timely basis. Further, summary schedules used by the Office of Financial Operations and Systems (OFOS) to accumulate and summarize agency reported CIP data for financial reporting are not completed timely in order to facilitate a sufficient, detailed review of the activity to detect and correct data entry errors. We noted that the process followed in FY 2013 was a highly manual process, and without proper oversight and controls over agency reporting, and OFOS' ultimate reporting in FAS and SOAR, it is susceptible to errors and inconsistencies in financial reporting in the government-wide financial statements.

As a result of these deficiencies, during our testwork over a sample of 25 projects totaling \$518.6 million transferred to depreciable assets from CIP during FY 2013, and 25 projects totaling \$151.3 million remaining in the CIP as of September 30, 2013, we identified the following errors in the capital asset balances:

- Office of the Deputy Mayor for Planning and Economic Development (EB0) – 1 instance in which costs totaling \$13.2 million were reclassified from depreciable fixed assets to expense subsequent to the project being sampled as a part of our audit; and another instance where \$300,000 was incorrectly transferred to depreciable capital assets in FY 2013 for a project that was not placed in service until FY 2014. Additionally, we noted 1 instance in which sufficient documentation to support \$5.4 million of costs related to a project in ending CIP was not timely provided in order to validate the District's ownership of the asset.
- Fire and Emergency Medical Services (FB0) – 2 instances in which costs totaling \$6.9 million were incorrectly transferred to depreciable capital assets in FY 2013 but the projects were not complete and placed in service as of fiscal year end; 1 instance in which costs totaling \$5 million were transferred to depreciable capital assets as of September 30, 2013 but the project was complete in a prior fiscal year; and 2 instances in which sufficient documentation to support the ending CIP balance for selected projects, totaling \$10.6 million, was not provided.
- Metropolitan Police Department (Department of General Services (FA0-AM0)) – 1 instance in which documentation to support evidence of project completion was not available for \$537,000 of costs that were transferred to depreciable capital assets in FY 2013.
- District of Columbia Public Schools (Department of General Services) (GA0-AM0) – 1 instance in which the capitalized costs for a completed project were overstated by \$101,000 as a result of incorrect allocation of current year costs between capital and noncapital costs.
- Department of Human Services (JA0) – Sufficient documentation, by project, was not provided to support \$3.1 million of the ending balance in CIP.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Furthermore, we noted that based on our prior year recommendation, during FY 2013, the District of Columbia Public Schools performed a new analysis over \$175 million of capital project costs that were transferred to depreciable capital assets in FY 2012 and determined that approximately \$35 million related to costs that were incorrectly capitalized in prior years. As a result of their analysis, an adjustment was recorded to correct the depreciable capital asset balance in FY 2013. Although the error was appropriately corrected, the correction was made in a subsequent fiscal year.

We also noted OFOS is not updating the District's Fixed Asset System (FAS) on a timely basis. Specifically, during testwork over a sample of 23 FY 2012 additions to depreciable capital assets, we noted that all were not entered in FAS until after September 30, 2013. Also, for 2 of 23 assets, the in-service date was not correctly entered to reflect the proper fiscal year in which the asset was placed in service. Additionally, prior year depreciable capital assets entered into FAS were not reconciled to the FY 2012 ending balances in SOAR and the financial statements until after the end of FY 2013.

We also noted that the District does not record a liability for contract retainages withheld from contract payments in the District's governmental activities statement of net position in accordance with U.S. generally accepted accounting principles. This resulted in an understatement of CIP and accrued liabilities in the District's Government-wide financial statements for governmental activities as of September 30, 2013.

We also noted that on September 16, 2013, OFOS issued new guidance in Section 10302003, *Construction In Progress Closeout Process* to its Financial Policies and Procedures to address the deficiencies noted in our FY 2012 findings and recommendations which are being implemented in FY 2014. However, the design and operating effectiveness of these new policies and procedures and related controls were not tested as a part of our FY 2013 audit.

Criteria:

GASB Concepts Statement No. 1, *Objectives of Financial Reporting*, recognizes the basic characteristics of financial reporting objectives as understandability, reliability, relevance, timeliness, consistency, and comparability. While GASB does not identify specific control standards, state and local governments follow internal control guidance to meet those objectives. Two of the major sources of guidance for state and local governmental units on auditing and reporting on internal control are the Single Audit Act and Government Auditing Standards (GAS), also known as generally accepted government auditing standards (GAGAS), and popularly known as the Yellow Book. These standards are produced by the U.S. Government Accountability Office. GAO's Standards for Internal Control states that for an entity to run and control its operations, it must have relevant, reliable, and timely communications relating to internal as well as external events. Information is needed throughout an agency to achieve all of its objectives. These standard control activities help to ensure that all transactions are completely and accurately recorded.

GASB Statement No. 34 - *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*: According to Governmental Accounting Standards Board (GASB) Statement No. 34, paragraph 19, capital assets include land, improvements to land,

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. In compliance with GASB No. 34, governments should report all capital assets, including infrastructure assets, in the government-wide statement of net assets and generally should report depreciation expense in the statement of activities.

GASB Concepts Statement No. 4, paragraphs 17 and 18, states:

Liabilities are present obligations to sacrifice resources that the government has little or no discretion to avoid. An obligation is a social, legal, or moral requirement, such as a duty, contract, or promise that compels one to follow or avoid a particular course of action. A present obligation that is a liability is a duty or responsibility to sacrifice resources that the government has little or no discretion to avoid. The reason that many liabilities cannot be avoided is that they are legally enforceable, meaning that a court could compel the government to fulfill the obligation. Generally, legally enforceable liabilities arise from legislation of other levels of government or contractual relationships, which may be written or oral.

Cause/Effect:

The District has not fully implemented sufficient policies and procedures to ensure costs transferred from CIP are tracked on a project level and that the amounts transferred to depreciable fixed assets are properly supported. Furthermore, the District lacks proper oversight over the capital asset financial reporting process to ensure complete, accurate, and timely recording of capital assets in the general ledger and FAS.

Without effectively designed and implemented internal controls over the financial reporting process for capital assets, misstatements in capital asset balances may not be prevented or detected in a timely manner. We noted misstatements in the non-depreciable and depreciable capital asset balances reported in the District's FY 2013 government-wide financial statements as follows (in millions):

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	Overstatements	Understatements	Net misstatement
Depreciable Capital Assets	\$ 21.0	\$ -	\$ 21.0
Non-Depreciable CIP	19.1	(7.7)	11.4

We noted that \$13.7 million of the overstatements to Depreciable Capital Assets and Non-Depreciable CIP identified above were the result of the District being unable to provide appropriate supporting documentation at the time of our audit.

Additionally, the District has not implemented an entity-wide accounting policy to record a liability for contract retainages in the period in which the goods and services are received in the Government-wide financial statements for governmental activities in accordance with GAAP. This has resulted in the District's governmental activities accrued liabilities and capital assets (CIP) being understated by an estimated \$41 million in the Government-wide Statement of Net Position as of September 30, 2013.

Recommendations:

We recommend that the District strengthen its internal controls over the financial reporting process for capital assets to ensure that capital asset balances are complete and accurate as of the fiscal year end. This should include, but not be limited to the following:

- Implementing the recently established District-wide policies and procedures for identifying completed capital projects to ensure that projects are transferred from CIP to depreciable capital assets in the period in which the assets are placed in service.
- Implementing the recently established District-wide policies and procedures for identifying capital project expenditures that are non-capital in nature and ensuring such expenditures are expensed in the period incurred.
- Continuing to provide training to District agencies regarding the recently established policies and procedures for determining proper classification of capital expenditures and timely transfer of completed projects to depreciable capital assets to reinforce that such procedures are uniformly applied across the District.
- Adding prior year real property additions to FAS and reconciling agency capital asset activity to the prior year CAFR before fiscal year-end, as planned in the recently established guidance.
- Adhering to existing internal control procedures for the review and approval of agency-reported closing package information to ensure that the closing packages are submitted timely and that the reported capital asset data is complete and accurate.

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- Maintaining appropriate supporting documentation for all capital expenditures, transfers from CIP to depreciable capital assets, and real and personal property additions and disposals.
- Reinforcing policies and procedures that require management review of entries to record real property assets in FAS, and make corrections as necessary.
- Performing reconciliations of real property balances in SOAR and FAS timely during the fiscal year, rather than after the end of the fiscal year.

We also continue to strongly encourage the District to implement a project cost accounting system that is fully integrated with the District's general ledger that allows capital asset transactions to be tracked at an invoice and project level.

Additionally, we recommend that the District develop policies and procedures to track contract retainages for all construction contracts and to record a liability for such amounts at fiscal year-end in the governmental activities Government-wide Statement of Net Position.

Management Response:

Management concurs with the finding. Management will further strengthen internal controls related to the identification of completed projects and their timely transfer to depreciable assets. We will also continue to provide training to District agencies regarding established policies and procedures for determining proper classification of capital expenditures. Management will ensure that the District's Fixed Asset System (FAS) is updated for and reconciled to the Comprehensive Annual Financial Report (CAFR) entries in a timely fashion.

Management also concurs with the retainage piece of the finding. Retainage of somewhere between 5 and 10% is withheld on most of the DGS General Contractor (GC) payments, and sometimes other contractor payments as well. As the agency program management team certifies that certain work is performed during the period represented by the pay application, the full value of such work is not paid, but a percentage is retained, which will be released toward the end of the project. Retainage amounts are part of an overall final negotiation once the project is complete to determine a final payment amount.

At the present time there is no mechanism either within the District's financial management system (SOAR) or the District's procurement system (PASS) to track and record contract retainage liability at the time a voucher is released for payment, due to lack of flexibility in the system to apply varied retainage percentages to the trade line items within the pay application. DGS will collaborate with OFOS as they develop District-wide policies and procedures to track and record retainage for all construction projects.

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Finding 2013-04 – Weaknesses in the District’s Procurement and Disbursement Controls and Non-compliance with Laws and Regulations

Conditions:

During our FY 2013 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 and has completed the steps scheduled for FY 2013. While these remediation efforts resulted in improvements within the Procurement process, we still noted deficiencies that continue to be repeated from previous years during FY 2013. Specifically, we noted the following:

For a sample of competitive procurements we noted:

- For 1 of 40 competitive procurements, evidence of the contracting officer delegation of authority to enter into the contract was not provided for review.
- For 11 of 40 competitive procurements, evidence that the procurement was awarded through the competitive sealed bidding process was not available for review.
- For 6 of 40 competitive procurements, evidence of the excluded party list was not available for review.
- For 3 of the 40 competitive procurements, evidence of the contractor compliance with the District tax code was not available for review.
- For 2 of the 40 competitive procurements, the contract/agreement was not available for review.
- For 3 of 40 competitive procurements, the determination and findings was not provided.
- For 1 of 40 competitive procurements, the contracting officer warrant was not provided to validate the officer’s authorizing power.

For a sample of sole source procurements we noted:

- For 2 of 42 sole source procurements, evidence of the contracting officer delegation of authority to enter into the contract was not provided for review.
- For 2 of 42 sole source procurements, evidence of the excluded party list was not available for review.
- For 1 of 42 sole source procurements, the contract/agreement was not available for review.
- For 6 of 42 sole source procurements, the sole source procurement method was not justified.
- For 2 of 42 sole source procurements, the procurement was incorrectly recorded in the District’s Procurement System (PASS) as sole source procurements but were actually competitive bidding

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procurements. We did however note that the transaction was properly procured through the competitive bidding process.

For a sample of emergency procurements we noted:

- For 1 of 8 emergency procurements, the determination and findings was not provided.
- For 3 of 8 emergency procurements, there was not sufficient documentation to validate the emergency procurement method was justified.
- For 3 of 8 emergency procurements, the period of performance exceeded the 90-day maximum duration requirement for an emergency procurement.
- For 2 of the 8 emergency procurements, the procurement was incorrectly classified in the District's Procurement System (PASS) as an emergency procurement but was actually a small purchase procurement

During our testing over the District's Independent Agency's procurement transactions, we noted the following:

For a sample of competitive procurements we noted:

- For the Department of General Services, for 2 of the 39 samples, evidence of the contracting officer delegation of authority to enter into a contract was not provided;
- For 3 of the 39 samples, evidence that the procurement was awarded through the competitive bidding process was not provided; 1 exception related to the DC National Guard, 1 exception related to the Department of General Services, and 1 exception related to the Inaugural expense;
- For 3 of the 39 samples, 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 provided; 2 exceptions related to the Council of the District of Columbia, and 1 exception related to the DC National Guard;
- For 5 of the 39 samples, evidence of contractor compliance with the District tax code was not provided; 2 exceptions related to the Department of General Services, 1 exception related to the DC National Guard, and 2 exceptions related to the Council of the District of Columbia;
- For 2 of the 39 samples, the respective contract was not provided; 1 exception related to the Department of General Services and 1 exception related to the DC National Guard; and
- For the DC National Guard, for 1 of the 39 samples, the determination and finding was not provided.

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For a sample of sole source procurements we noted:

- For 1 of 40 sole source procurements, there was no delegation of authority available for review. This exception related to the Department of General Services.
- For 1 of 40 sole source procurements, evidence of compliance with the District's tax code was not available for review. This exception related to the Office of the Chief Financial Officer.
- For 1 of 40 sole source procurements, evidence of the excluded party list was not available for review. This exception related to the Office of the Chief Financial Officer.

During our testing of procurement and disbursement transactions at the District of Columbia Public Schools, (DCPS), we noted the following:

- For 1 of 27 contracts tested, the contract was not approved by the Council before it was executed.

In our testing of compliance with the District of Columbia Quick Payment Act, we noted:

- For 16 of 90 District (non-DCPS) transactions selected for testing, payment was not made timely in accordance with the Quick Payment Act.
- For 3 of 40 DCPS transactions selected for testing, payment was not made timely in accordance with the Quick Payment Act.

During our testwork over 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:

- The reconciliation for the month of December 2012 was not reviewed and approved by the approving official until August 2013.
- We selected 40 P-card transactions totaling \$165,041 and determined:
 - For 2 of the 40 P-card transactions totaling \$8,000, the single purchases appear to be "split" into multiple transactions in order to circumvent the authorized P-card limit. One exception relates to Department on Disability Services (DDS) and 1 exception relates to Fire and Emergency Medical Services (FEMS).
 - For 3 of the 40 P-card transactions totaling \$13,479, we noted the authorizer approved purchases exceeding the cardholders' daily authorized P-card limit. One exception relates to Department of Small Local Business Development (DSLBD), 1 relates to Office of the Secretary (OS) and 1 relates to the Board of Elections (BOE).

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- For 3 of the 40 P-card transactions totaling \$11,000, we noted the authorizer approved purchases exceeding the cardholders' single and daily authorized P-card limit. Two exceptions relate to the Fire and Emergency Medical Services (FEMS) and 1 exception relates to the Council of the District of Columbia.

Criteria:

The Procurement Practices Act indicates the following:

Pursuant to **Section 451 of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 803; D.C. Official Code § 1-204.51)**, *“prior to the award of a multiyear contract or a contract in excess of \$1 million during a 12-month period, the Mayor or executive independent agency or instrumentality shall submit the proposed contract to the Council for review and approval in accordance with the criteria established in this section...”*.

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”*.

In addition, according to the respective sections of Title 27 of the District of Columbia Municipal Regulations (DCMR):

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”*.

DC 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”*.

27 DCMR 1003.2 *“a contracting officer shall make all determinations and findings required by the Act or this title to be made by the contracting officer for each solicitation or contract for which he or she is responsible”*.

27 DCMR chapter 17, states that: *“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.”*

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27 DCMR chapter 17, states that: *“Each sole source D&F for a procurement in an amount greater than twenty-five thousand dollars (\$25,000) shall be reviewed by the Director before solicitation and shall be approved by the Director before contract execution.”*

DC Code 1-204.51, states that: *“prior to the award of a multiyear contract or a contract in excess of \$1,000,000 during a 12-month period, the Mayor or executive independent agency or instrumentality shall submit the proposed contract to the Council for review and approval.”*

27 DCMR chapter 17 states that *“An "emergency condition" is a situation (such as a flood, epidemic, riot, equipment failure, or other reason set forth in a proclamation issued by the Mayor) which creates an immediate threat to the public health, welfare, or safety. The emergency procurement of services shall be limited to a period of not more than one hundred twenty (120) days. If a long-term requirement for the supplies, services, or construction is anticipated, the contracting officer shall initiate a separate non-emergency procurement action at the same time that the emergency procurement is made. The contracting officer shall attempt to solicit offers or proposals from as many potential contractors as possible under the emergency condition. An emergency procurement shall not be made on a sole source basis unless the emergency D&F includes justification for the sole source procurement. 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.”*

The District’s **Quick Payment Act** indicates the following: *If a contract specifies the date on which payment is due, the required payment date is the date specified in the contract. If a contract does not specify a payment date, the required payment date will be one of the following:*

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

According to the District **Purchase Card** program policies and procedures:

- **Purchase limit:** An individual who is issued a P-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 Chief Procurement Officer in the delegation of contracting authority.**
- **Reconciliation:** Each approving official will have a queue of all P-card statements waiting for them in the PaymentNet system. By the 27th of each month, the Approving Official should obtain original receipts from cardholders under their jurisdiction and ensures that the cardholders have reviewed all transactions in PaymentNet. The Approving Official should review each

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transaction to verify that the good or service 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 should mark each transaction as Approved in PaymentNet **by the 3rd day of the subsequent month.**

According to **DC Code 1-204.51**, “*prior to the award of a multiyear contract or a contract in excess of \$1,000,000 during a 12-month period, the Mayor or executive independent agency or instrumentality shall submit the proposed contract to the Council for review and approval.*”

Also, **DC Code 2-301.05(G)** states that “*All contracts over a million dollars must go to the Office of the Attorney General (OAG) for a legal sufficiency review.*”

27 DCMR chapter 15

1511.3 Prospective bidders that have been debarred or suspended from District contracts or otherwise determined to be ineligible to receive awards shall be removed from solicitation mailing lists to the extent required by the debarment, suspension, or other determination of ineligibility

The requirements for allowable costs/cost principles are contained in the A-102 Common Rule (§___22), OMB Circular A-110 (2 CFR section 215.27), OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments” (2 CFR part 225), program legislation, Federal awarding agency regulations, and the terms and conditions of the grant award. Management is required to maintain adequate internal controls to prevent and detect instances of noncompliance.

Cause/Effect:

District agencies are not adhering to the established policies and procedures governing creation and maintenance of procurement documentation and the payment of vendor obligations, which may cause noncompliance with the Procurement Practices Act and the Quick Payment Act. Additionally, internal controls need to be improved to ensure compliance with all procurement laws and regulations.

Recommendation:

We recommend that the District continue to strengthen its internal controls over procurement through the implementation of its deficiency remediation plan. These implementation efforts should continue to be led by the OCP Procurement Integrity and Compliance Office (PICO), and sufficient resources should be provided to this office to ensure it can successfully implement the remediation plan. The performance measurement statistics monitored by PICO should be provided to both the Mayor and the Chief Financial Officer at least semi-annually so that senior District management is apprised of progress on the remediation plan.

Management Response:

Management partially does not concur with this finding. For certain exceptions noted, while required documentation was not maintained in the file there were other items that would indicate

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that those steps were performed prior to the execution of the procurement. In addition for those which were cited as being improperly classified, this was a human error and the procurement was correctly procured through the correct process and we do not believe this warrants an audit finding. While we recognize and accept that OCP has recorded some deficiencies as pertaining to the CAFR audit, we have made progress in remediating past deficiencies. OCP continues to expand and focus its internal audit program to better-mirror the CAFR and Single Audit criteria. During FY2014 PICO will return to full strength, adding two more analysts/auditors to back fill vacancies. OCP's commitment to a robust, independent and well-managed internal audit program demonstrates its management's commitment to continuous improvement with regard to its compliance with applicable laws. Going forward, during FY2014, as part of the procurement reform budget enhancements, OCP will be adding fifteen procurement staff. When combined with new and improved training initiatives, the application of new and improved technologies, and the recent appointment of a new Assistant Director of Procurement, OCP is confident that it will continue to improve in the years ahead.

KPMG's Response:

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



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**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, 2013



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, 2013. 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 Opinion on the Five 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. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the major federal programs identified in Table I.



Table I - Material Noncompliance Resulting In Adverse Opinion

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	Cash Management	2013-031
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-037
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Eligibility	2013-037
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Reporting	2013-036
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	2013-035
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions- Enrollment Reporting	2013-033
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions- Borrower Data Transmissions and Reconciliation	2013-038
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions- Verification	2013-032
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions- Return of Title IV Funds	2013-034



Table I - Material Noncompliance Resulting In Adverse Opinion

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Cash Management	2013-055
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Eligibility	2013-051
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Procurement, Suspension and Debarment	2013-005
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Reporting	2013-050 2013-054
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions-Child Support Non-Cooperation	2013-052
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions-Penalty for Failure to Comply with Work Verification Plan	2013-050
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions-Income Eligibility and Verification System	2013-051
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions- Penalty for Refusal to Work	2013-054
Health and Human Services	93.658	Foster Care-Title IV-E	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-059 2013-061
Health and Human Services	93.658	Foster Care-Title IV-E	Eligibility	2013-061



Table I - Material Noncompliance Resulting In Adverse Opinion

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.658	Foster Care-Title IV-E	Matching, Level of Effort, and Earmarking	2013-061
Health and Human Services	93.659	Adoption Assistance-Title IV-E	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-062 2013-064
Health and Human Services	93.659	Adoption Assistance-Title IV-E	Eligibility	2013-064
Health and Human Services	93.659	Adoption Assistance-Title IV-E	Matching, Level of Effort, and Earmarking	2013-064
Health and Human Services	93.917	HIV Care Formula Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-074
Health and Human Services	93.917	HIV Care Formula Grants	Eligibility	2013-076
Health and Human Services	93.917	HIV Care Formula Grants	Matching, Level of Effort, and Earmarking	2013-077
Health and Human Services	93.917	HIV Care Formula Grants	Procurement, Suspension and Debarment	2013-005

Adverse Opinion on the Five Major Federal Programs Identified in Table I

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion 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, 2013.



Basis for Qualified Opinion on the Three 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 the supporting documentation. Consequently, we were unable to determine whether the District complied with the requirements for the programs identified in Table II below.

Table II – Major Programs with Scope Limitations				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions- Housing Quality Standards	2013-021
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Eligibility	2013-024
Health and Human Services	93.767	Children’s Health Insurance Program	Eligibility	2013-065
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, and Earmarking	2013-073

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

Table III - Material Noncompliance Noted In Programs With A Scope Limitation				
Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-019



Table III - Material Noncompliance Noted In Programs With A Scope Limitation

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Matching, Level of Effort, and Earmarking	2013-023
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-071

Qualified Opinion on the Three 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 Opinion 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 Tables II and III for the year ended September 30, 2013.

Basis for Qualified Opinion on the Eight 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. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Table IV- Material Noncompliance Resulting In Qualified Opinion

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	2013-008
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement, Suspension and Debarment	2013-005



Table IV- Material Noncompliance Resulting In Qualified Opinion

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2013-014
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Davis –Bacon Act	2013-016
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting	2013-017
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2013-018
Health and Human Services	14.241	Housing Opportunities for Persons with AIDS	Reporting	2013-025
Education	84.027, 84.173	Special Education Cluster	Matching, Level of Effort, and Earmarking	2013-078
Education	84.126	Vocational Rehabilitation	Eligibility	2013-044
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Special Tests and Provisions- Utilization Control and Program Integrity	2013-069
Homeland Security	97.067	Homeland Security Grant Program	Procurement, Suspension and Debarment	2013-005



Qualified Opinion on the Eight Major Federal Programs Identified in Table IV

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion 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, 2013.

Unmodified Opinion 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, 2013.

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	CDEFA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-053
Health and Human Services	93.658	Foster Care-Title IV-E	Special Tests and Provisions-ARRA R1 and R2	2013-060
Health and Human Services	93.659	Adoption Assistance-Title IV-E	Special Tests and Provisions-ARRA R1 and R2	2013-063
Health and Human Services	93.917	HIV Care Formula Grants	Subrecipient Monitoring	2013-075

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
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Davis-Bacon Act	2013-020
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2013-072

Table VII- Other Instances of Noncompliance				
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-Quality Control Unit	2013-006
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Eligibility	2013-010
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting	2013-010
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Special Tests and Provisions-Paid Lunch Equity	2013-009
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-011
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Subrecipient Monitoring	2013-012



Table VII- Other Instances of Noncompliance

Federal Awarding Agency	CDEFA 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	2013-015
Health and Human Services	14.241	Housing Opportunities for Persons with AIDS	Subrecipient Monitoring	2013-026
Labor	17.225	Unemployment Insurance	Cash Management	2013-027
Labor	17.225	Unemployment Insurance	Reporting	2013-028
Transportation	20.205	Highway Planning and Construction	Davis-Bacon Act	2013-029
Transportation	20.205	Highway Planning and Construction	Procurement, Suspension and Debarment	2013-030
Education	84.010	Title I- Grant to Local Educational Agencies	Matching, Level of Effort, and Earmarking	2013-039
Education	84.010	Title I- Grant to Local Educational Agencies	Eligibility	2013-041
Education	84.010	Title I- Grant to Local Educational Agencies	Special Tests and Provisions- Schoolwide Programs	2013-042
Education	84.126	Vocational Rehabilitation	Reporting	2013-045



Table VII- Other Instances of Noncompliance

Federal Awarding Agency	CDEA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.367	Improving Teacher Quality	Special Tests and Provisions-Schoolwide Programs	2013-042
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-046
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Procurement, Suspension and Debarment	2013-005
Health and Human Services	93.525	State Planning and Establishment Grants for the Affordable Care Act Exchanges	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-047
Health and Human Services	93.525	State Planning and Establishment Grants for the Affordable Care Act Exchanges	Reporting	2013-048 2013-049
Health and Human Services	93.525	State Planning and Establishment Grants for the Affordable Care Act Exchanges	Procurement, Suspension and Debarment	2013-005
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-058 2013-057
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Subrecipient Monitoring	2013-057



Table VII- Other Instances of Noncompliance				
Federal Awarding Agency	CDEA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Eligibility	2013-070

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	2013-008
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2013-014
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement, Suspension, and Debarment	2013-005 2013-013
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Davis- Bacon Act	2013-016
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2013-018
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting	2013-017
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-019
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Eligibility	2013-024



Table VIII- Material Weaknesses in Internal Control over Compliance

Federal Awarding Agency	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Matching, Level of Effort, and Earmarking	2013-023
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions- Housing Quality Standards	2013-021
Health and Human Services	14.241	Housing Opportunities for Persons with AIDS	Reporting	2013-025
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Eligibility	2013-037
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-037
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Cash Management	2013-031
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Reporting	2013-036
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	2013-035
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions- Enrollment Reporting	2013-033



Table VIII- Material Weaknesses in Internal Control over Compliance

Federal Awarding Agency	C DFA 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- Borrower Data Transmissions and Reconciliation	2013-038
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions- Verification	2013-032
Education	84.007, 84.033, 84.063, 84.268, 93.925	Student Financial Assistance Cluster	Special Tests and Provisions- Return of Title IV Funds	2013-034
Education	84.126	Vocational Rehabilitation	Eligibility	2013-044
Education	84.027	Special Education Cluster	Matching, Level of Effort and Earmarking	2013-078
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Cash Management	2013-055
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Eligibility	2013-051 2013-066
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Procurement, Suspension and Debarment	2013-005
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Reporting	2013-050 2013-054
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions- Penalty for Failure to Comply with Work Verification Plan	2013-050



Table VIII- Material Weaknesses in Internal Control over Compliance

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions-Child Support Non-Cooperation	2013-052
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions-Income Eligibility and Verification System	2013-051
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions-Penalty for Refusal to Work	2013-054
Health and Human Services	93.658	Foster Care– Title IV-E	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-059 2013-061
Health and Human Services	93.658	Foster Care– Title IV-E	Eligibility	2013-061
Health and Human Services	93.658	Foster Care– Title IV-E	Matching, Level of Effort, and Earmarking	2013-061
Health and Human Services	93.659	Adoption Assistance-Title IV-E	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-062 2013-064
Health and Human Services	93.659	Adoption Assistance-Title IV-E	Eligibility	2013-064
Health and Human Services	93.659	Adoption Assistance-Title IV-E	Matching, Level of Effort, and Earmarking	2013-064



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	93.767	Children’s Health Insurance Program	Eligibility	2013-065 2013-066 2013-067 2013-068
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Eligibility	2013-066 2013-067 2013-068 2013-070
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Special Tests and Provisions- Utilization Control and Program Integrity	2013-069
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-071
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, and Earmarking	2013-073
Health and Human Services	93.917	HIV Care Formula Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-074
Health and Human Services	93.917	HIV Care Formula Grants	Eligibility	2013-076
Health and Human Services	93.917	HIV Care Formula Grants	Matching, Level of Effort, and Earmarking	2013-077
Health and Human Services	93.917	HIV Care Formula Grants	Procurement, Suspension and Debarment	2013-005



Table VIII- Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
Homeland Security	97.067	Homeland Security Grant Program	Procurement, Suspension and Debarment	2013-005

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	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions- Quality Control Unit	2013-006
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions- EBT Reconciliation	2013-007
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Eligibility	2013-066
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Eligibility	2013-010
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting	2013-010
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Special Tests and Provisions- Paid Lunch Equity	2013-009



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	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-011
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Subrecipient Monitoring	2013-012
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-015
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Davis-Bacon Act	2013-020
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Maximum Per Unit Subsidy	2013-022
Health and Human Services	14.241	Housing Opportunities for Persons with AIDS	Subrecipient Monitoring	2013-026
Labor	17.225	Unemployment Insurance	Cash Management	2013-027
Labor	17.225	Unemployment Insurance	Reporting	2013-028
Transportation	20.205	Highway Planning and Construction	Davis-Bacon Act	2013-029
Transportation	20.205	Highway Planning and Construction	Procurement, Suspension and Debarment	2013-030



Table IX- Significant Deficiencies in Internal Control over Compliance

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.010	Title I- Grants to Local Educational Agencies	Eligibility	2013-041
Education	84.010	Title I- Grants to Local Educational Agencies	Matching, Level of Effort, and Earmarking	2013-039
Education	84.010	Title I- Grants to Local Educational Agencies	Subrecipient Monitoring	2013-040
Education	84.010	Title I- Grants to Local Educational Agencies	Special Tests and Provisions- Schoolwide Programs	2013-042
Education	84.010	Title I- Grants to Local Educational Agencies	Special Tests and Provisions- Comparability	2013-043
Education	84.126	Vocational Rehabilitation	Reporting	2013-045
Education	84.367	Improving Teacher Quality	Subrecipient Monitoring	2013-040
Education	84.367	Improving Teacher Quality	Special Tests and Provisions- Schoolwide Programs	2013-042
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-046



Table IX- Significant Deficiencies in Internal Control over Compliance

Federal Awarding Agency	CDFA Number (s)	Major Program	Compliance Requirement	Finding Number
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Procurement, Suspension and Debarment	2013-005
Health and Human Services	93.525	State Planning and Establishment Grants for the Affordable Care Act Exchanges	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-047
Health and Human Services	93.525	State Planning and Establishment Grants for the Affordable Care Act Exchanges	Reporting	2013-048 2013-049
Health and Human Services	93.525	State Planning and Establishment Grants for the Affordable Care Act Exchanges	Procurement, Suspension and Debarment	2013-005
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-053 2013-056
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-058 2013-057
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Subrecipient Monitoring	2013-057
Health and Human Services	93.658	Foster Care– Title IV-E	Special Tests and Provisions-ARRA R1 and R2	2013-060
Health and Human Services	93.659	Adoption Assistance-Title IV-E	Special Tests and Provisions-ARRA R1 and R2	2013-063



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	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2013-072
Health and Human Services	93.917	HIV Care Formula Grants	Subrecipient Monitoring	2013-075

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated January 30, 2014, 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 25, 2014

Government of the District of Columbia

Schedule I: Schedule of Expenditures
of Federal Awards By Federal Grantor
Year Ended September 30, 2013

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2013**

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
U.S. Department of Homeland Security		
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111	\$ 4,491,739
HOMELAND SECURITY-RELATED SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (HS STEM) CAREER DEVELOPMENT PROGRAM	97.104	171,575
DRIVER LICENSE SECURITY GRANT PROGRAM	97.089	694,975
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078	180,491
RAIL AND TRANSIT SECURITY GRANT PROGRAM	97.075	28,037,213
HOMELAND SECURITY GRANT PROGRAM	97.067	79,758,259
INTEROPERABLE EMERGENCY COMMUNICATIONS	97.055	449,469
COOPERATING TECHNICAL PARTNERS	97.045	14,962
ASSISTANCE TO FIREFIGHTERS GRANT	97.044	256,846
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	3,355,827
HAZARD MITIGATION GRANT	97.039	247,065
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	5,973,995
COMMUNITY ASSISTANCE PROGRAM STATE SUPPORT SERVICES ELEMENT (CAP-SSE)	97.023	38,002
BOATING SAFETY FINANCIAL ASSISTANCE	97.012	988,216
NON-PROFIT SECURITY PROGRAM	97.008	1,000,521
Total U.S. Department of Homeland Security		<u>125,659,155</u>
Social Security Administration		
SOCIAL SECURITY_DISABILITY INSURANCE	96.001	<u>8,219,373</u>
Corporation for National and Community Service		
SENIOR COMPANION PROGRAM	94.016	290,180
TRAINING AND TECHNICAL ASSISTANCE	94.009	20,729
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	12,433
AMERICORPS	94.006	2,670,969
STATE COMMISSIONS	94.003	312,041
Total Corporation for National and Comm Service		<u>3,306,352</u>
U.S. Department of Health and Human Services		
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994	6,909,245
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991	428,957
PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	1,232,451
BLOCK GRANTS FOR PRVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	5,060,057
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	675,933
ASSISTANCE PROGRAMS FOR CHRONIC DIDEASE PREVENTION & CONTROL	93.945	297,399
HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) SURVEILLANCE	93.944	1,442,518
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	93.940	6,909,927
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	219,810
HEALTHY START INITIATIVE	93.926	3,449,259
HIV CARE FORMULA GRANTS	93.917	16,365,337
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	32,285,330
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	830,939
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	380,615
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.796	1,428,235
MEDICAID TRANSFORMATION GRANTS	93.793	(90)

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<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791	2,121,273
CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS) RESEARCH, DEMONSTRATIONS AND EVALUATIONS	93.779	173,373
MEDICAL ASSISTANCE PROGRAM	93.778	1,674,029,884
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.777	1,202,192
STATE MEDICAID FRAUD CONTROL UNITS	93.775	<u>1,854,791</u>
SUBTOTAL - MEDICAID CLUSTER		1,677,086,867
MEDICARE_HOSPITAL INSURANCE	93.773	1,085,376
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	14,512,325
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	130,000
PPHF 2012: COMMUNITY TRANSFORMATION GRANTS - SMALL COMMUNITIES PROGRAM FINANCED SOLELY BY 2012 PUBLIC PREVENTION & HEALTH FUNDS	93.737	406,397
STATE PUBLIC HEALTH APPROACHES FOR ENSURING OUTLINE CAPACITY - FUNDED IN PART BY 2012 PREVENTION & PUBLIC HEALTH FUNDS (PPHF-2012)	93.735	50,000
ARRA - PREVENTION-COMMUNITIES PUTTING PREVENTION TO WORK FUNDING OPPROTUNITIES ANNOUNCEMENT (FOA)	93.724	65,903
ARRA - PREVENTION AND WELLNESS-STATE, TERRITORIES AND PACIFIC ISLANDS	93.723	14,208
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719	951,150
MEDICAID INFRASTRUCTURE GRANT (MIG) TO SUPPORT THE COMPETITIVE EMPLOYMENT OF PEOPLE WITH DISABILITIES	93.768	37,820
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS_GRANTS TO STATES & INDIAN TRIBES	93.671	708,838
ARRA - FOSTER CARE_TITLE IV-E	93.658	112,789
FOSTER CARE_TITLE IV-E	93.658	<u>39,215,365</u>
SUBTOTAL - FOSTER CARE_TITLE IV-E		39,328,154
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	1,020,380
CHILD ABUSE & NEGLECT STATE GRANTS	93.669	54,174
SOCIAL SERVICES BLOCK GRANT	93.667	8,756,096
ARRA - ADOPTION ASSISTANCE	93.659	2,228
ADOPTION ASSISTANCE	93.659	<u>14,360,239</u>
SUBTOTAL - ADOPTION ASSISTANCE		14,362,467
ADOPTION OPPORTUNITIES	93.652	313,922
CHILD WELFARE_SERVICES_STATE GRANTS	93.645	327,441
CHILDREN'S JUSTICE GRANTS TO STATES	93.643	83,386
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630	627,563
ARRA -HEADSTART CONSOLIDATED	93.708	537,081
HEAD START	93.600	6,666,044
HEAD START - PASS-THROUGH FUNDING	93.600	<u>3,589,343</u>
SUBTOTAL - HEAD START CLUSTER		10,255,387
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597	91,463
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUNDS	93.596	8,638,760
CHILD CARE & DEVELOPMENT BLOCK GRANT	93.575	<u>3,249,032</u>
SUBTOTAL - CHILD CARE AND DEVELOPMENT (CCDF) CLUSTER		11,887,792
COMMUNITY SERVICE BLOCK GRANT	93.569	10,408,789
CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	93.599	269,630
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590	277,284

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LOW INCOME HOME ENERGY ASSISTANCE	93.568	10,175,307
REFUGEE & ENTRANT ASSISTANCE STATE ADMINISTERED	93.566	1,234,454
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	18,657,280
ARRA - EMERGENCY CONTINGENCY FUND FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) STATE PROGRAM	93.714	15,727,522
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	78,710,405
SUBTOTAL - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CLUSTER		94,437,927
PROMOTING SAFE AND STABLE FAMILIES	93.556	1,431,791
THE PATIENT PROTECTION AND AFFORDABLE CARE ACT OF 2010 (AFFORDABLE CARE ACT)		
AUTHORIZES COORDINATED CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION PROGRAM	93.544	256,602
STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	93.525	43,899,255
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	331,962
AFFORDABLE CARE ACTS (ACA) - CONSUMER ASSISTANCE PROGRAM GRANTS	93.519	28,825
AFFORDABLE CARE ACT - MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS	93.518	(10)
AFFORDABLE CARE ACT - AGING AND DISABILITY RESOURCE CENTER	93.517	174,097
AFFORDABLE CARE ACT (ACA) GRANTS TO STATES FOR HEALTH INSURANCE PREMIUM REVIEW	93.511	712,677
STRENGTHENING PUBLIC HEALTH INFRASTRUCTURE FOR IMPROVED HEALTH OUTCOMES	93.507	276,666
ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT ACCESS EMPLOYEES OF LONG TERM FACILITIES AND PROVIDERS	93.506	286,093
AFFORDABLE CARE ACT (ACA) MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.505	1,078,907
AFFORDABLE CARE ACT (ACA) GRANTS FOR SCHOOL-BASED HEALTH CENTER CAPITAL EXPENDITURES	93.501	227,837
ARRA - PREGNANCY ASSISTANCE FUND PROGRAM	93.500	1,729,009
ARRA - STATE PRIMARY CARE OFFICES	93.414	170,312
ARRA - STATE LOAN REPAYMENT PROGRAM	93.402	65,081
CANCER CAUSE AND PREVENTION RESEARCH	93.393	188,505
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	295,732
CENTERS FOR DISEASE CONTROL & PREVENTION-INVESTIGATIONS & TECHNICAL ASSISTANCE	93.283	2,276,929
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275	1,928,042
ADULT VIRAL HEPATITIS PREVENTION AND CONTROL	93.270	83,404
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	1,548,401
UNIVERSAL NEWBORN HEARING SCREENING	93.251	274,576

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SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	4,573,543
PROJECTS_STATE & LOCAL CHILDHOOD LEAD POISONING PREVENTION & SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN (KGO)	93.197	127,723
GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	93.165	179,349
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150	222,346
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM	93.136	59,702
COOP AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.130	159,152
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116	459,895
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	95,844
COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)	93.104	132,621
AFFORDABLE CARE ACT PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092	227,537
GUARDIANSHIP ASSISTANCE	93.090	2,504,235
GUARDIANSHIP ASSISTANCE (ARRA)	93.090	758
SUBTOTAL - GUARDIANSHIP ASSISTANCE PROGRAM		2,504,993
EMERGENCY SYSTEM FOR ADV REGISTRATION OF VOLUNTEER HEALTH PROFESSIONALS	93.089	26,066
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	93.074	6,972,601
DC LIFESPAN RESPITE PROGRAM	93.072	71,843
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.070	222,348
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	4,100,189
TOBACCO REGULATION AWARENESS, COMMUNICATION, AND EDUCATION PROGRAM	93.058	220,093
NATIONAL FAMILY CAREGIVERS SUPPORT TITLE III PART E	93.052	673,292
ALZHEIMERS'S DISEASE DEMONSTRATION GRANTS TO STATES	93.051	128,781
SPECIAL PROGRAMS FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	105,291
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	379,036
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	93.045	3,002,840
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	1,663,053
SUBTOTAL - TITLE III AGING CLUSTER		5,044,929
SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 2_LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	93.042	140,765
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	865,523
PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND	93.003	207,678
Total U.S. Depart. of Health and Human Services		2,084,487,050
U.S. Department of Education		
ARRA - STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	25,504,762
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	1,356,760
ARRA - SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	84.388	1,858,355
SCHOOL IMPROVEMENT GRANTS	84.377	2,785,752
SUBTOTAL - SCHOOL IMPROVEMENTS GRANTS CLUSTER		4,644,107
TEACHER INCENTIVE FUND	84.374	6,309,935
STATEWIDE DATA SYSTEMS	84.372	531,084
DC SCHOOL CHOICE INCENTIVE PROGRAM	84.370	7,821,610

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GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	3,241,292
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	12,572,870
MATHEMATICS & SCIENCE PARTNERSHIP	84.366	1,694,095
ENGLISH LANGUAGE ACQUISITION	84.365	972,827
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	304,231
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS FOR CHILDREN WITH DISABILITIES	84.325	196,318
CAPACITY BUILDING FOR TRADITIONALLY UNDERSERVED POPULATIONS	84.315	281,168
21ST CENTURY COMM LEARNING CTRS-AFTER SCHOOL	84.287	5,406,718
CHARTER SCHOOLS	84.282	3,780,204
ASSISTIVE TECHNOLOGY	84.224	357,671
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	298,048
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	270,131
SUPPORTED EMPLOYMENT SVCS_INDIV WITH THE MOST SIGNIFICANT DISABILITIES	84.187	337,777
ARRA - SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.393	26,267
SPECIAL EDUCATION GRANTS FOR INFANTS FAMILIES	84.181	2,292,631
SUBTOTAL - SPECIAL EDUCATION CLUSTER		2,318,898
REHABILITATION SERVICES_INDEPENDENT LIVING SERVICES_OLDER INDIVIDUALS WHO ARE BLIND	84.177	260,240
INDEPENDENT LIVING_STATE GRANTS	84.169	343,458
REHABILITATION SERVICES_VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	14,964,344
MINORITY SCIENCE AND ENGINEERING IMPROVEMENT	84.120	185,051
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	5,381,396
TRIO_UPWARD BOUND	84.047	282,874
TRIO_TALENT SEARCH	84.044	403,920
SUBTOTAL - TRIO CLUSTER		686,794
IMPACT AID	84.041	1,036,457
HIGHER EDUCATION INSTITUTIONAL AID	84.031	3,284,115
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	111,152
SPECIAL EDUCATION - GRANT TO STATES	84.027	19,459,563
SUBTOTAL - SPECIAL EDUCATION CLUSTER		19,570,715
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013	374,036
FEDERAL DIRECT STUDENT LOANS	84.268	29,845,352
FEDERAL PELL GRANT PROGRAM	84.063	9,478,629
FEDERAL WORK-STUDY PROGRAM	84.033	307,570
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007	519,538
SCHOLASHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	1,311,198
SUBTOTAL - STUDENT FINANCIAL ASSISTANCE CLUSTER		41,462,287
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	1,050,627
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	49,951,128
Total U.S. Department of Education		215,439,956

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U.S. Department of Energy		
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128	2,028,029
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, RESEARCH, DEVELOPMENT AND ANALYSIS	81.122	203,740
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	511,341
ARRA - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	64,949
SUBTOTAL - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS		576,290
STATE ENERGY PROGRAM	81.041	246,357
ARRA - STATE ENERGY PROGRAM	81.041	226,908
SUBTOTAL - STATE ENERGY PROGRAM		473,265
NATIONAL ENERGY INFORMATION CENTER	81.039	9,206
Total U.S. Department of Energy		3,290,530
Environmental Protection Agency		
STATE AND TRIBAL RESPONSE PROGRAM	66.817	212,997
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	34,751
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804	955,595
ARRA - SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE SPECIFIC COOPERATIVE AGREEMENTS	66.802	124,809
POLLUTION PREVENTION GRANTS PROGRAM	66.708	273,115
PERFORMANCE PARTNERSHIP GRANTS	66.605	419,493
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	20,809
CHESAPEAKE BAY PROGRAM	66.466	1,353,109
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460	766,024
WATER QUALITY MANAGEMENT PLANNING	66.454	100,000
TARGETED WATERSHEDS GRANTS	66.439	94,952
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL PROGRAM SUPPORT	66.419	1,105,514
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	1,200,282
ARRA - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	868,403
SUBTOTAL - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS		2,068,685
ARRA - STATE CLEAN DIESEL GRANT PROGRAM	66.040	17,892
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034	93,203
STATE INDOOR RADON GRANTS	66.032	138,186
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	1,129,064
Total Environmental Protection Agency		8,908,198
U.S. Department of Veterans Affairs		
VETERANS AFFAIRS MEDICAL CENTER	64.009	1,080,655
VETERANS RETRAINING ASSISTANCE PROGRAM (VRAP)	64.036	58,948
Total U.S. Department of Veterans Affairs		1,139,603
U.S. Small Business Administration		
FEDERAL AND STATE TECHNOLOGY PARTNERSHIP PROGRAM	59.058	23,002
STATE TRADE AND EXPORT PROMOTION PILOT GRANT PROGRAM (SBA)	59.061	45,024
STATE SMALL BUSINESS CREDIT INITIATIVE	59.UNK	96,565
Total U.S. Small Business Administration		164,591
National Science Foundation		
EDUCATION AND HUMAN RESOURCES	47.076	821,902
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	6,211
Total National Science Foundation		828,113

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National Endowment for the Humanities		
GRANTS TO STATES	45.310	915,107
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	694,374
Total National Endowment for the Humanities		1,609,481
Equal Employment Opportunity Commission		
EMPLOYMENT DISCRIMINATION_TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001	157,651
U.S. Department of the Treasury		
LOW-INCOME TAXPAYER CLINICS	21.008	86,415
Total U.S. Department of the Treasury		86,415
U.S. Department of Transportation		
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700	237,606
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	3,134,327
ALTERNATIVES ANALYSIS	20.522	656,145
CAPITAL ASSIST PRGM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513	283,958
METROPOLITAN TRANSPORTATION PLANNING	20.505	642,404
FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	20.500	965,000
FEDERAL TRANSIT_FORMULA GRANTS	20.507	105,697
SUBTOTAL - FEDERAL TRANSIT CLUSTER		1,070,697
SAFETY DATA IMPROVEMENT PROGRAM	20.234	3,874
PERFORMANCE AND REGISTRATION INFORMATION SYSTEMS MANAGEMENT	20.231	8,910
ARRA - HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE - CAPITAL ASSISTANCE GRANTS	20.319	1,496,051
NATIONAL MOTOR CARRIER SAFETY	20.218	688,885
HIGHWAY PLANNING AND CONSTRUCTION	20.205	210,534,102
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	7,062,762
SUBTOTAL - HIGHWAY PLANNING & CONSTRUCTION		217,596,864
Total U.S. Department of Transportation		225,819,721
U.S. Department of State		
PUBLIC DIPLOMACY PROGRAMS	19.040	4,327
Total U.S. Department of State		4,327
U.S. Department of Labor		
CONSULTATION AGREEMENTS	17.504	307,742
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCT) GRANTS	17.282	647,886
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273	4,557
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271	69,747
WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	17.261	78,868
WORKFORCE INVESTMENT ACT (WIA) NATIONAL EMERGENCY GRANTS (INDIRECT -STE OF MD)	17.277	182,125
WIA DISLOCATED WORKER FORMULA GRANTS	17.278	1,445,875
WIA DISLOCATED WORKERS	17.260	104,899
ARRA - WIA DISLOCATED WORKERS	17.260	(14,933)
WIA YOUTH ACTIVITIES	17.259	1,598,957
WIA ADULT PROGRAM	17.258	2,594,912
SUBTOTAL - WIA CLUSTER		4,283,835

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TRADE ADJUSTMENT ASSISTANCE	17.245	119,542
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	438,978
UNEMPLOYMENT INSURANCE	17.225	267,457,779
ARRA - UNEMPLOYMENT INSURANCE	17.225	<u>21,892</u>
SUBTOTAL - UNEMPLOYMENT INSURANCE		267,479,671
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	182,716
DISABLED VETERANS OUTREACH PROGRAM	17.801	326,726
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	<u>3,294,447</u>
SUBTOTAL - EMPLOYMENT SERVICE CLUSTER		3,803,889
COMPENSATION AND WORKING CONDITIONS	17.005	79,700
LABOR FORCE STATISTICS	17.002	588,763
Total U.S. Department of Labor		<u><u>279,531,178</u></u>
U.S. Department of Justice		
JOHN R JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	16.816	51,476
SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	16.812	645,218
SUPPORT FOR ADAM WALSH IMPLEMENTATION GRANT PROGRAM	16.750	30,745
PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	16.742	12,226
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	292,817
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	1,909,257
ARRA - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	<u>272,192</u>
SUBTOTAL - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM		2,181,449
PROTECTING INMATES AND SAFEGUARDING COMMUNITIES DISCRETIONARY GRANT PROGRAM	16.735	182,158
ENFORCING UNDERAGE DRINKING LAWS PROGRAM	16.727	7,161
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	606,664
PROJECT SAFE NEIGHBORHOODS (FA0 + FQ0)	16.609	(12,713)
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607	15,939
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593	70,384
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	1,013,577
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582	186,447
CRIME VICTIM ASSISTANCE PROGRAM	16.575	1,008,354
STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS CENTERS	16.550	17,705
TITLE V _DELINQUENCY PREVENTION PROGRAM	16.548	43,727
JUVENILE JUSTICEAND DELINQUENCY PREVENTION _ALLOCATION TO STATES	16.540	262,935
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523	139,721
SERVICES FOR TRAFFICKING VICTIMS	16.320	341,458
SEXUAL ASSAULT SERVICES FORMULA PROGRAM	16.017	23,214
Total U.S. Department of Justice		<u><u>7,120,662</u></u>
U.S. Department of the Interior		
ARRA - CONSERVATION ACTIVITIES BY YOUTH SERVICE ORGANIZATIONS	15.931	
RIVERS, TRAILS, AND CONSERVATION ASSISTANCE	15.921	309,422
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	600,821
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805	94,373
MIGRATORY BIRD MONITORING ASSESSMENT AND CONSERVATION	15.655	55,839
STATE WILDLIFE GRANTS	15.634	42,960
CLEAN VESSEL ACT	15.616	7,500
SPORT FISH RESTORATION PROGRAM	15.605	1,462,942
Total U.S. Department of the Interior		<u><u>2,573,857</u></u>

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2013**

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
U.S. Department of Housing and Urban Development		
LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.905	463,725
ARRA - LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.909	(14,929)
SUBTOTAL - LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM		448,796
COMMUNITY CHALLENGE PLANNING GRANT AND THE DEPARTMENT OF TRANSPORTATION'S TIGER II PLANNING GRANTS	14.704	1,150,908
FAIR HOUSING ASSISTANCE PROGRAM STATE AND LOCAL	14.401	165,786
ARRA - HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM TECHNICAL ASSISTANCE	14.262	5,049
NEIGHBORHOOD STABILIZATION PROGRAM	14.264	2,376,516
ARRA - NEIGHBORHOOD STABILIZATION PROGRAM	14.256	2,053,610
SUBTOTAL - NEIGHORHOOD STALIZATION PROGRAM		4,430,126
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	12,486,186
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239	8,742,307
SHELTER PLUS CARE	14.238	4,406,895
SUPPORTIVE HOUSING PROGRAM	14.235	141,398
EMERGENCY SHELTER GRANT PROGRAM	14.231	1,468,324
ARRA - COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM & NON ENTITLEMENT GRANTS IN HAWAII	14.255	373,716
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	27,092,353
Total U.S. Depart. of Housing and Urban Development		60,911,844
U.S. Department of Defense		
AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800	39,990
BASIC, APPLIED , AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630	143,402
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.607	671,931
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420	60,353
NATIONAL GUARD CHALLENGE PROGRAM	12.404	1,834,799
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401	2,157,029
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113	454,987
PROCUREMENT TECHNICAL ASSITANCE FOR BUSINESS FIRMS	12.002	578
Total U.S. Department of Defense		5,363,069
U.S. Department of Commerce		
MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	11.609	5,800
ARRA - STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM	11.558	748,242
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	4,995,063
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474	(11,499)
Total U.S. Department of Commerce		5,737,606
U.S. Department of Agriculture		
FOREST HEALTH PROTECTION	10.680	215,000
FOREST STEWARDSHIP PROGRAM	10.678	35,000
URBAN & COMMUNITY FORESTRY PROGRAM	10.675	673
COOPERATIVE FORESTRY ASSISTANCE	10.664	350,191
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	1,350,485
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	417,177
ARRA - WIC GRANTS TO STATES (WGS)	10.578	132,620
SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576	39,880
TEAM NUTRITION GRANTS	10.574	199,516

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor
For the Year Ended September 30, 2013**

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	201,699
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	62,181
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	436,931
SUPPLEMENTARY NUTRITION ASSISTANCE PROGRAM (SNAP)	10.551	235,566,666
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	<u>13,638,134</u>
SUBTOTAL - SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) CLUSTER		249,204,800
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	749,303
CHILD AND ADULT CARE FOOD PRGRAM	10.558	8,374,321
SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS & CHILDREN (WIC)	10.557	13,768,718
ARRA - SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS & CHILDREN (WIC)	10.557	<u>(9,057)</u>
SUBTOTAL - SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS, AND CHILDREN		13,759,661
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	4,069,336
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	6,798
NATIONAL SCHOOL LUNCH PROGRAM	10.555	20,297,847
SCHOOL BREAKFAST PROGRAM	10.553	<u>8,531,717</u>
SUBTOTAL - NATIONAL SCHOOL LUNCH, BREAKFAST CLUSTER		32,905,698
COOPERATIVE EXTENSION SERVICE	10.500	1,072,633
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203	931,508
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	157,424
FARMERS' MARKET PROMOTION PROGRAM	10.168	4,987
FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	10.156	<u>2,419</u>
Total U.S. Department of Agriculture		<u><u>310,604,107</u></u>
Total Expenditures of Federal Awards		\$ 3,350,962,839

Government of the District of Columbia

Schedule II: Schedule of Expenditures
of Federal Awards By District Agency
Year Ended September 30, 2013

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Health Care Finance		
AFFORDABLE CARE ACTS (ACA) - CONSUMER ASSISTANCE PROGRAM GRANTS	93.519	\$ 28,825
STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	93.525	43,899,255
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719	951,150
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	14,512,325
MEDICAL ASSISTANCE PROGRAM	93.778	1,638,340,270
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791	2,121,273
MEDICAID TRANSFORMATION GRANTS	93.793	(90)
Total Department of Health Care Finance		<u>1,699,853,008</u>
Department of Employment Services		
LABOR FORCE STATISTICS	17.002	588,763
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	3,294,447
UNEMPLOYMENT INSURANCE	17.225	267,457,779
ARRA - UNEMPLOYMENT INSURANCE	17.225	21,892
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	438,978
TRADE ADJUSTMENT ASSISTANCE	17.245	119,542
WIA ADULT PROGRAM	17.258	2,594,912
WIA YOUTH ACTIVITIES	17.259	1,598,957
WIA DISLOCATED WORKERS	17.260	104,899
ARRA - WIA DISLOCATED WORKERS	17.260	(14,933)
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271	69,747
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273	4,557
WORKFORCE INVESTMENT ACT (WIA) NATIONAL EMERGENCY GRANTS (INDIRECT -STE OF MD)	17.277	182,125
WIA DISLOCATED WORKER FORMULA GRANTS	17.278	1,445,875
CONSULTATION AGREEMENT	17.504	307,742
DISABLED VETERANS OUTREACH PROGRAM	17.801	326,726
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	182,716
Total Department of Employment Services		<u>278,724,724</u>
State Superintendent of Education (OSSE)		
SCHOOL BREAKFAST PROGRAM	10.553	8,531,717
NATIONAL SCHOOL LUNCH PROGRAM	10.555	20,297,847
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	6,798
CHILD AND ADULT CARE FOOD PROGRAM	10.558	8,374,321
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	4,069,336
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	749,303
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	62,181
TEAM NUTRITION GRANTS	10.574	199,516
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	417,177
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	1,350,485
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	1,050,627
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	49,951,128
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013	374,036
SPECIAL EDUCATION - GRANT TO STATES	84.027	19,459,563
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	5,381,396
SPECIAL EDUCATION - PRESCHOOL INCENTIVE	84.173	111,152
SPECIAL EDUCATION_GRANTS FOR INFANTS_FAMILIES	84.181	2,292,631

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	270,131
CHARTER SCHOOLS	84.282	3,780,204
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	5,406,718
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	304,231
ENGLISH LANGUAGE ACQUISITION	84.365	972,827
MATHEMATICS & SCIENCE PARTNERSHIP	84.366	1,694,095
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	12,572,870
GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	3,241,292
DC SCHOOL CHOICE INCENTIVE PROGRAM	84.370	7,821,610
STATEWIDE DATA SYSTEMS	84.372	531,084
SCHOOL IMPROVEMENT GRANTS	84.377	2,785,752
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	1,356,760
ARRA - SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	84.388	1,858,355
ARRA - SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.393	26,267
ARRA - STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	25,504,762
AFFORDABLE CARE ACT PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092	227,537
CHILD CARE & DEVELOPMENT BLOCK GRANT - DISCRETIONARY	93.575	3,249,032
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUNDS	93.596	8,638,760
HEAD START	93.600	79,831
ARRA - HEAD START STATE ADV COUNCIL EARLY CHILDHOOD EDUCATION	93.708	537,081
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	213,070
Total State Superintendent of Education (OSSE)		203,751,483
Department of Transportation		
COOPERATIVE FORESTRY ASSISTANCE	10.664	350,191
URBAN & COMMUNITY FORESTRY PROGRAM	10.675	673
FOREST STEWARDSHIP PROGRAM	10.678	35,000
FOREST HEALTH PROTECTION	10.680	215,000
RIVERS, TRAILS, AND CONSERVATION ASSISTANCE	15.921	309,422
HIGHWAY PLANNING AND CONSTRUCTION	20.205	210,534,102
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	7,062,762
ARRA - HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE - CAPITAL ASSISTANCE GRANTS	20.319	1,496,051
FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	20.500	965,000
METROPOLITAN TRANSPORTATION PLANNING	20.505	642,404
FEDERAL TRANSIT_FORMULA GRANTS	20.507	105,697
CAPITAL ASSIST PRGM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513	283,958
ALTERNATIVES ANALYSIS	20.522	656,145
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	3,134,327
TARGETED WATERSHEDS GRANTS	66.439	94,952
Total Department of Transportation		225,885,684
Department of Human Services		
SUPPLEMENTARY NUTRITION ASSISTANCE PROGRAM (SNAP) - FOOD STAMPS	10.551	235,566,666
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	12,018,710
EMERGENCY SHELTER GRANT PROGRAM	14.231	1,468,324

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
SHELTER PLUS CARE	14.238	3,890,046
VETERANS AFFAIRS MEDICAL CENTER	64.009	1,080,655
ARRA - PREGNANCY ASSISTANCE FUND PROGRAM	93.500	1,729,009
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	78,710,405
REFUGEE & ENTRANT ASSISTANCE_STATE ADMINISTERED	93.566	1,234,454
COMMUNITY SERVICE BLOCK GRANT	93.569	10,408,789
SOCIAL SERVICES BLOCK GRANT	93.667	8,756,096
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS_GRANTS TO STATES & INDIAN TRIBES	93.671	708,838
ARRA - EMERGENCY CONTINGENCY FUND FOR TANF STATE PROGRAM	93.714	15,727,522
MEDICAL ASSISTANCE PROGRAM	93.778	26,142,886
Total Department of Human Services		397,442,400
Department of Health		
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)	10.557	13,768,718
ARRA - SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)	10.557	(9,057)
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION	10.561	1,186,959
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	26
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	201,699
ARRA - WIC GRANTS TO STATES (WGS)	10.578	132,620
SHELTER PLUS CARE	14.238	516,849
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	12,486,186
COMPENSATION AND WORKING CONDITIONS	17.005	79,700
PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND	93.003	207,678
STATE & TERRITORIAL & TECHNICAL ASSISTANCE CAPACITY DEVELOPMENT MINORITY HIV/AIDS DEMONSTRATION PROGRAM	93.006	865,523
TOBACCO REGULATION AWARENESS, COMMUNICATION, AND EDUCATION PROGRAM	93.058	220,093
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	4,100,189
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.070	222,348
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED		
COOPERATIVE AGREEMENTS	93.074	6,972,601
EMERGENCY SYSTEM FOR ADVANCE REGISTRATION OF VOLUNTEER HEALTH PROFESSIONALS	93.089	26,066
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	95,844
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116	459,895
COOPERATIVE AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.130	159,152
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM	93.136	59,702
GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	93.165	179,349
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	4,142,166
UNIVERSAL NEWBORN HEARING SCREENING	93.251	274,576
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	1,548,401
ADULT VIRAL HEPATITIS PREVENTION AND CONTROL	93.270	83,404
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275	1,928,042
CENTERS FOR DISEASE CONTROL & PREVENTION_INVESTIGATIONS & TECHNICAL ASSISTANCE	93.283	2,276,929
ARRA - STATE LOAN REPAYMENT PROGRAM	93.402	65,081
ARRA - STATE PRIMARY CARE OFFICES	93.414	170,312
AFFORDABLE CARE ACT (ACA) GRANTS FOR SCHOOL-BASED HEALTH CENTER CAPITAL EXPENDITURES	93.501	227,837

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
AFFORDABLE CARE ACT (ACA) MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.505	1,078,907
ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT ACCESS EMPLOYEES OF LONG TERM FACILITIES AND PROVIDERS	93.506	286,093
STRENGTHENING PUBLIC HEALTH INFRASTRUCTURE FOR IMPROVED HEALTH OUTCOMES	93.507	276,666
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	331,962
THE PATIENT PROTECTION AND AFFORDABLE CARE ACT OF 2010 (AFFORDABLE CARE ACT) AUTHORIZES COORDINATED CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION PROGRAM	93.544	256,602
ARRA - PREVENTION AND WELLNESS STATE, TERRITORIES & PACIFIC ISLANDS	93.723	14,208
ARRA - PREVENTION AND WELLNESS - COMMUNITIES PUTTING PREVENTION TO WORK FUNDING OPPROTUNITIES ANNOUNCEMENT (FOA)	93.724	65,903
STATE PUBLIC HEALTH APPROACHES FOR ENSURING OUTLINE CAPACITY - FUNDED IN PART BY 2012 PREVENTION & PUBLIC HEALTH FUNDS (PPHF-2012)	93.735	50,000
PPHF 2012: COMMUNITY TRANSFORMATION GRANTS - SMALL COMMUNITIES PROGRAM FINANCED SOLELY BY 2012 PUBLIC PREVENTION & HEALTH FUNDS	93.737	406,397
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	130,000
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XVIII) MEDICARE	93.777	1,202,192
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.796	1,428,235
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	188,702
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	32,285,330
HIV CARE FORMULA GRANTS	93.917	16,365,337
HEALTHY START INITIATIVE	93.926	3,449,259
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	93.940	6,909,927
HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) SURVEILLANCE	93.944	1,442,518
ASSISTANCE PROGRAMS FOR CHRONIC DIDEASE PREVENTION & CONTROL	93.945	297,399
BLOCK GRANTS FOR PRVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	5,060,057
PREVENTIVE HEALTH SVCS_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	1,232,451
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991	428,957
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANTTO THE STATES	93.994	6,909,245
Total Department of Health		132,745,235
Homeland Security / Emergency Management		
NON-PROFIT SECURITY PROGRAM	97.008	1,000,521
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	5,973,995
HAZARD MITIGATION GRANT	97.039	247,065
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	3,355,827
COOPERATING TECHNICAL PARTNERS	97.045	9,760
INTEROPERABLE EMGERGENCY COMMUNICATIONS	97.055	449,469
HOMELAND SECURITY GRANT PROGRAM	97.067	79,758,259
RAIL AND TRANSIT SECURITY GRANT PROGRAM	97.075	28,037,213
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078	180,491
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111	4,491,739
Total Homeland Security / Emergency Management		123,504,339

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Housing and Comm. Development		
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	27,092,353
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239	8,742,307
ARRA - COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM & NON ENTITLEMENT GRANTS IN HAWAII		
	14.255	373,716
ARRA - NEIGHBOURHOOD STABILIZATION PROGRAM	14.256	2,053,610
ARRA - HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM TECHNICAL ASSISTANCE	14.262	5,049
ARRA - NEIGHBORHOOD STABILIZATION PROGRAM	14.264	2,376,516
COMMUNITY CHALLENGE PLANNING GRANT AND THE DEPARTMENT OF TRANSPORTATION'S TIGER II PLANNING GRANTS	14.704	1,150,908
LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.905	463,725
ARRA - LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.909	(14,929)
Total Department of Housing and Community Development		42,243,255
Child and Family Services		
GUARDIANSHIP ASSISTANCE	93.090	2,504,235
ARRA - GUARDIANSHIP ASSISTANCE	93.090	758
PROMOTING SAFE AND STABLE FAMILIES	93.556	1,431,791
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590	277,284
CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	93.599	269,630
CHILDREN'S JUSTICE GRANTS TO STATES	93.643	83,386
CHILD WELFARE_SERVICES_STATE GRANTS	93.645	327,441
ADOPTION OPPORTUNITIES	93.652	313,922
ARRA - FOSTER CARE_TITLE IV-E	93.658	112,789
FOSTER CARE_TITLE IV-E	93.658	39,215,365
ARRA - ADOPTION ASSISTANCE	93.659	2,228
ADOPTION ASSISTANCE	93.659	14,360,239
CHILD ABUSE AND NEGLECT STATE GRANTS	93.669	54,174
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	1,020,380
Total Child and Family Services		59,973,622
District Department of the Environment		
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474	(11,499)
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113	454,987
SPORT FISH RESTORATION PROGRAM	15.605	1,462,942
CLEAN VESSEL ACT	15.616	7,500
STATE WILDLIFE GRANTS	15.634	42,960
MIGRATORY BIRD MONITORING ASSESSMENT AND CONSERVATION	15.655	55,839
PUBLIC DIPLOMACY PROGRAMS	19.040	4,327
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	1,129,064
STATE INDOOR RADON GRANTS	66.032	138,186
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034	93,203
ARRA - STATE CLEAN DIESEL GRANT PROGRAM	66.040	17,892
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	1,200,282
ARRA - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	868,403
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL RPROGRAM SUPPORT	66.419	1,105,514
WATER QUALITY MANAGEMENT PLANNING PROGRAM	66.454	100,000
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460	766,024

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
CHESAPEAKE BAY PROGRAM	66.466	1,220,498
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	20,809
PERFORMANCE PARTNERSHIP GRANTS	66.605	419,493
POLLUTION PREVENTION GRANTS PROGRAM	66.708	273,115
ARRA - SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE SPECIFIC COOPERATIVE AGREEMENTS	66.802	124,809
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804	955,595
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	34,751
STATE AND TRIBAL RESPONSE PROGRAM GRANTS	66.817	212,997
NATIONAL ENERGY INFORMATION CENTER	81.039	9,206
STATE ENERGY PROGRAM	81.041	246,357
ARRA - STATE ENERGY PROGRAM	81.041	226,908
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	511,341
ARRA - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	64,949
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128	2,028,029
CHILDHOOD LEAD POISONING PREVENTION PROJECTS_STATE AND LOCAL CHILDHOOD LEAD POISONING	93.197	127,723
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM	93.568	10,175,307
COMMUNITY ASSISTANCE PROGRAM STATE SUPPORT SERVICES ELEMENT (CAP-SSSE)	97.023	38,002
COOPERATING TECHNICAL PARTNERS	97.045	5,202
Total District Department of the Environment		<u>24,130,715</u>
Department of Disability Services		
REHABILITATION SERVICES_VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	14,964,344
INDEPENDENT LIVING_STATE GRANTS	84.169	343,458
REHABILITATION SERVICES_INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND	84.177	260,240
SUPPORTED EMPLOYMENT SERVICES FOR INDIVIDUALS WITH THE MOST SIGNIFICANT DISABILITIES	84.187	337,777
ASSISTIVE TECHNOLOGY	84.224	357,671
MEDICAID INFRASTRUCTURE GRANT (MIG) TO SUPPORT THE COMPETITIVE EMPLOYEMENT OF PEOPLE WITH DISABILITIES	93.768	37,820
MEDICAL ASSISTANCE PROGRAM	93.778	6,214,969
SOCIAL SECURITY_DISABILITY INSURANCE	96.001	8,219,373
Total Department of Disability Services		<u>30,735,652</u>
Office of the Attorney General		
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	18,657,280
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597	91,463
Total Office of the Attorney General		<u>18,748,743</u>

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
University of the District of Columbia		
FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	10.156	2,419
FARMERS' MARKET PROMOTION PROGRAM	10.168	4,987
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	157,424
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203	931,508
COOPERATIVE EXTENSION SERVICE	10.500	1,072,633
MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	11.609	5,800
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420	60,353
BASIC, APPLIED , AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630	143,402
AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800	39,990
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805	94,373
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCT) GRANTS	17.282	647,886
LOW-INCOME TAXPAYER CLINICS	21.008	86,415
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	6,211
EDUCATION AND HUMAN RESOURCES	47.076	821,902
VETERANS RETRAINING ASSISTANCE PROGRAM (VRAP)	64.036	58,948
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007	519,538
HIGHER EDUCATION_INSTITUTIONAL AID	84.031	3,284,115
FEDERAL WORK-STUDY PROGRAM	84.033	307,570
TRIO_TALENT SEARCH	84.044	403,920
TRIO_UPWARD BOUND	84.047	282,874
FEDERAL PELL GRANT PROGRAM	84.063	9,478,629
MINORITY SCIENCE AND ENGINEERING IMPROVEMENT	84.120	185,051
FEDERAL DIRECT STUDENT LOANS	84.268	29,845,352
CAPACITY BUILDING FOR TRADITIONALLY UNDERSERVED POPULATIONS	84.315	281,168
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS FOR CHILDREN WITH DISABILITIES	84.325	196,318
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	295,732
CANCER CAUSE AND PREVENTION RESEARCH	93.393	188,505
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	830,939
SCHOLASHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	1,311,198
SENIOR COMPANION PROGRAM	94.016	290,180
HOMELAND SECURITY-RELATED SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (HS STEM) CAREER DEVELOPMENT PROGRAM	97.104	171,575
Total University of the District of Columbia		52,006,915
District of Columbia Public Schools		
IMPACT AID	84.041	1,036,457
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	298,048
TEACHER INCENTIVE FUND	84.374	6,309,935
HEAD START	93.600	6,586,213
HEAD START - PASS-THROUGH FUNDING	93.600	3,589,343
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	6,740
Total District of Columbia Public Schools		17,826,736

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Office on Aging		
Commodity Supplemental Food Program	10.565	436,905
Senior Farmer Market Nutrition Program	10.576	39,880
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 OLDERS INDIVIDUALS	93.042	140,765
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	1,663,053
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	93.045	3,002,840
SPECIAL PROGRAMS FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	105,291
ALZHEIMERS'S DISEASE DEMONSTRATION GRANTS TO STATES	93.051	128,781
NATIONAL FAMILY CAREGIVERS SUPPORT TITLE III PART E	93.052	673,292
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	379,036
DC LIFESPAN RESPITE PROGRAM	93.072	71,843
AFFORDABLE CARE ACT - AGING AND DIABILITY RESOURCE CENTER	93.517	174,097
AFFORDABLE CARE ACT - MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS	93.518	(10)
CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS) RESEARCH , DEMONSTRATIONS AND EVALUATIONS	93.779	173,373
Total Office on Aging		<u>7,012,772</u>
Department of Behavioral Health		
SUPPORTIVE HOUSING PROGRAM	14.235	141,398
COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)	93.104	132,621
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150	222,346
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	431,377
MEDICARE_HOSPITAL INSURANCE	93.773	1,085,376
MEDICAL ASSISTANCE PROGRAM	93.778	3,263,759
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	675,933
Total Department of Behavioral Health		<u>5,952,810</u>
Metropolitan Police Department		
SERVICES FOR TRAFFICKING VICTIMS	16.320	341,458
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607	15,939
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	606,664
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	292,817
NATIONAL MOTOR CARRIER SAFETY	20.218	719,081
SAFETY DATA IMPROVEMENT PROGRAM	20.234	3,874
BOATING SAFETY FINANCIAL ASSISTANCE	97.012	988,216
Total Metropolitan Police Department		<u>2,968,049</u>

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Deputy Mayor for Public Safety and Justice/Office of Justice Grants Administration/Office of Victim Services		
SEXUAL ASSAULT SERVICES FORMULA PROGRAM	16.017	23,214
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523	139,721
JUVENILE JUSTICE AND DELINQUENCY PREVENTION_ALLOCATION TO STATES	16.540	262,935
TITLE V_DELINQUENCY PREVENTION PROGRAM	16.548	43,727
CRIME VICTIM ASSISTANCE PROGRAM	16.575	1,008,354
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582	186,447
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	1,013,577
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593	70,384
PROJECT SAFE NEIGHBORHOODS	16.609	(12,713)
ENFORCING UNDERAGE DRINKING LAWS PROGRAM	16.727	7,161
PROTECTING INMATES AND SAFEGUARDING COMMUNITIES DISCRETIONARY GRANT PROGRAM	16.735	182,158
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROG	16.738	1,909,257
ARRA - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	272,192
PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	16.742	12,226
SUPPORT FOR ADAM WALSH IMPLEMENTATION GRANT PROGRAM	16.750	30,745
JOHN R JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	16.816	51,476
Total Deputy Mayor for Public Safety and Justice		<u>5,200,861</u>
Deputy Mayor for Economic Development		
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.607	<u>671,931</u>
Total Deputy Mayor for Economic Development		<u>671,931</u>
Serve DC/Office of the Mayor		
STATE COMMISSIONS	94.003	312,041
AMERICORPS	94.006	2,670,969
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	12,433
TRAINING AND TECHNICAL ASSISTANCE	94.009	20,729
Total Serve DC/Office of the Mayor		<u>3,016,172</u>
Office of the Inspector General		
STATE MEDICAID FRAUD CONTROL UNITS	93.775	<u>1,854,791</u>
Total Office of the Inspector General		<u>1,854,791</u>
DC National Guard		
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401	2,157,029
NATIONAL GUARD CHALLENGE PROGRAM	12.404	<u>1,834,799</u>
Total DC National Guard		<u>3,991,828</u>

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Fire and Emergency Medical Services		
CHEAPSAPEAKE BAY PROGRAM	66.466	132,611
ASSISTANCE TO FIREFIGHTERS GRANT	97.044	256,846
Total Fire and Emergency Medical Services		<u>389,457</u>
DC Public Library		
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	81,014
GRANTS TO STATES	45.310	915,107
Total DC Public Library		<u>996,121</u>
Commission on Arts & Humanities		
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	694,374
Total Commission on Arts & Humanities		<u>694,374</u>
Office of the Chief Financial Officer		
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	432,465
Total Office of the Chief Financial Officer		<u>432,465</u>
Department of Youth Rehabilitation Services		
SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	16.812	585,858
WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	17.261	78,868
Total Department of Youth Rehabilitation Services		<u>664,726</u>
Office of Municipal Planning		
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	600,821
Total Office of Municipal Planning		<u>600,821</u>
Office of the Chief Technology Officer		
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	4,914,049
ARRA - STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM	11.558	748,242
Total Office of the Chief Technology Officer		<u>5,662,291</u>
Department of Small & Local Business Development		
FEDERAL AND STATE TECHNOLOGY PARTNERSHIP PROGRAM	59.058	23,002
STATE TRADE AND EXPORT PROMOTION PILOT GRANT PROGRAM (SBA)	59.061	45,024
PROCUREMENT TECHNICAL ASSISTANCE FOR BUSINESS FIRMS	12.002	578
Total Department of Small & Local Business Development		<u>68,604</u>
Office of Human Rights		
FAIR HOUSING ASSISTANCE PROGRAM_STATE AND LOCAL	14.401	165,786
EMPLOYMENT DISCRIMINATION_TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001	157,651
Total Office of Human Rights		<u>323,437</u>
Public Service Commission		
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700	237,606
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, RESEARCH, DEVELOPMENT AND ANALYSIS	81.122	203,740
Total Public Service Commission		<u>441,346</u>

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2013**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Office of Disability Rights		
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630	627,563
Total Office of Disability Rights		627,563
Department of Motor Vehicles		
NATIONAL MOTOR CARRIER SAFETY	20.218	(30,196)
PERFORMANCE AND REGISTRATION INFORMATION SYSTEMS MANAGEMENT	20.231	8,910
DRIVER LICENSE SECURITY GRANT PROGRAM	97.089	694,975
Total Department of Motor Vehicles		673,689
Department of Insurance, Securities and Banking		
AFFORDABLE CARE ACT (ACA) GRANTS TO STATES FOR HEALTH INSURANCE PREMIUM REVIEW	93.511	712,677
STATE SMALL BUSINESS CREDIT INITIATIVE	59.UNK	96,565
Total Department of Insurance, Securities and Banking		809,242
Not-For-Profit Hospital Corporation (d/b/a United Medical Center)		
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	191,913
Total United Medical Center		191,913
Office of Administrative Hearing		
MEDICAL ASSISTANCE PROGRAM	93.778	68,000
Total Office of Administrative Hearing		68,000
Criminal Justice Coordinating Council		
SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	16.812	59,360
STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS CENTERS	16.550	17,705
Total Criminal Justice Coordinating Council		77,065
Total Expenditures of Federal Awards		\$ 3,350,962,839

Government of the District of Columbia

Notes to the Schedules of Expenditures
of Federal Awards
Year Ended September 30, 2013

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2013**

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, 2013. 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 UNKOWN).

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, 2013**

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 \$27,092,353, which includes current year loan disbursements. The outstanding loans cumulative balance as of September 30, 2013, is \$296,738,093.

Home Investment Partnerships Program (CFDA #14.239)

The amount of total program expenditures in the accompanying schedules is \$8,742,307, which includes current year loan disbursements. The outstanding loans cumulative balance as of September 30, 2013, is \$91,679,830.

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 FY 2013, new loans made to students enrolled at the University of the District of Columbia under the Federal Loan Program, CFDA #84.268 totals \$29,845,352. This amount is included in the Schedules.

Beginning Balance	\$47,394,854
Add: New Loans	<u>29,845,352</u>
	77,240,206
Less: Principal Payments	-
Ending Balance	<u>\$77,240,206</u>

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2013**

Federal Student Financial Assistance

The composition of the UDC Federal Student Financial Assistance in FY 2013 is as follows:

Program Title	CFDA #	Amount
Federal Direct Student Loans	84.268.	\$29,845,352
Federal Pell Grant	84.063	9,478,629
Federal Work-Study Program	84.033	307,570
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	<u>519,538</u>
Subtotal – U.S. Department of Education		40,151,089
Scholarships For Health Professions Students From Disadvantaged Students	93.925	1,311,198
ARRA –Scholarships for Disadvantaged Students	93.407	<u>-</u>
Subtotal – U.S. Department of Health And Human Services		<u>1,311,198</u>
Total – Federal Student Financial Assistance		<u>\$41,462,287</u>

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

During fiscal year 2013, the District received cash rebates from infant formula manufacturers totaling \$4,757,328 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.

Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2013

Food Stamps Program – EBT Redemption

The Food Stamp program recorded the gross up of the amount of food stamps totaling \$235,566,666 that were used by the District citizens for FY 2013. The Food Stamp Program is a program that is funded by the Federal Government, and these expenditures are not charged against the District's 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 the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) 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 7.79 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2013.

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 2013 is \$2,153,185, with \$1,415,304 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 #10.579, 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, 2013**

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 2013 is as follows:

State UI Benefits	\$137,919,865
Federal UI Benefits	19,658,436
Federal Extended UI Benefits	98,062,817
Federal UI Administrative Expenditures	<u>11,834,693</u>
Subtotal	267,475,811
Additional Federal Unemployment Compensation ARRA – Federal UI	<u>3,860</u>
 Total	 <u>\$267,479,671</u>

Note 7. Head Start

In fiscal year 2013 the D.C. Public Schools received 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>Grant</u>	<u>CFDA #</u>	<u>Expense Reported</u>
Head Start & Early Head Start	93.600	\$ <u>3,589,343</u>

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	\$ 61,194,045
Title II HIV Care Formula Grants	93.917	4,235,397

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2013**

HIV Emergency Relief Project Grants	93.914	29,608,603
Housing Opportunities for Person with AIDS	14.241	12,235,832
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	2,791,671
Community Development Block Grants (CDBG)	14.218	19,369,611
School Breakfast Program (OSSE)	10.553	8,531,716
National School Lunch Program	10.555	20,297,847
Special Milk Program for Children	10.556	6,798
Summer Food Service Program for Children	10.559	3,906,728
Title I Grants to Local Education Agency LEA	84.010	49,386,232
Special Education Grants to States	84.027	17,462,287
Special Education – Preschool Grants	84.173	47,487
Improving Teacher Quality State Grants	84.367	12,290,829
ARRA – State Fiscal Stabilization Fund (SFSF)		
Race to the Top Incentive Grant	84.395	22,138,682
Child Care Mandatory and Matching Funds of the Child Care & Development Block Grant	93.596	2,825,688
Child Care and Development Block Grant	93.575	<u>2,767,902</u>
Total		<u><u>\$269,097,355</u></u>

Government of the District of Columbia

Schedule of Findings
And Questioned Costs
Year Ended September 30, 2013

Government of the District of Columbia
Schedule of Findings and Questioned Costs
Year Ended September 30, 2013

1. Summary of Auditor’s Results

Basic Financial Statements

- a) An unmodified opinion was 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, 2013.
- b) The audit identified no material weaknesses and four 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, 2013.
- 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, 2013.

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, 2013.
- 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	10.551, 10.561	Qualified
2	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	Unmodified
3	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	Qualified
4	Community Development Block Grants/Entitlement Grants	14.218	Qualified
5	HOME Investment Partnerships Program	14.239	Qualified for Scope Limitation and Material Noncompliance
6	Housing Opportunities for Persons with Aids	14.241	Qualified
7	Unemployment Insurance	17.225	Unmodified
8	Highway Planning and Construction	20.205	Unmodified

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#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
9	Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268, 93.925	Adverse
10	Title I Grants to Local Educational Agencies	84.010	Unmodified
11	Special Education Cluster	84.027, 84.173	Qualified
12	Vocational Rehabilitation	84.126	Qualified
13	Improving Teacher Quality State Grants	84.367	Unmodified
14	State Fiscal Stabilization	84.395	Unmodified
15	State Planning and Establishment Grants for the Affordable Care Act Exchanges	93.525	Unmodified
16	Temporary Assistance for Needy Families	93.558, 93.714	Adverse
17	Child Support Enforcement	93.563	Unmodified
18	Child Care and Development Fund Cluster	93.575, 93.596	Unmodified
19	Foster Care-Title IV-E	93.658	Adverse
20	Adoption Assistance	93.659	Adverse
21	Children's Health Insurance Program	93.767	Qualified for Scope Limitation and Material Noncompliance
22	Medical Assistance Program	93.775, 93.777, 93.778	Qualified
23	HIV Emergency Relief	93.914	Qualified for Scope Limitation and Material Noncompliance
24	HIV Care Formula Grant	93.917	Adverse
25	Rail and Transit Security Program	97.075	Unmodified
26	Homeland Security Grant	97.067	Qualified

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, 2013.

g) The major Federal programs of the District for the year ended September 30, 2013 were as follows:

#	Major Program/Cluster	CFDA Number(s)
1	Supplemental Nutrition Assistance Program	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

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#	Major Program/Cluster	CFDA Number(s)
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	Vocational Rehabilitation	84.126
13	Improving teacher Quality State Grants	84.367
14	State Fiscal Stabilization	84.395
15	State Planning and Establishment Grants for the Affordable Care Act Exchanges	93.525
16	Temporary Assistance for Needy Families	93.558, 93.714
17	Child Support Enforcement	93.563
18	Child Care and Development Fund Cluster	93.575, 93.596
19	Foster Care-Title IV-E	93.658
20	Adoption Assistance	93.659
21	Children's Health Insurance Program	93.767
22	Medical Assistance Program	93.775, 93.777, 93.778
23	HIV Emergency Relief	93.914
24	HIV Care Formula Grant	93.917
25	Rail and Transit Security Program	97.075
26	Homeland Security Grant	97.067

- h) The dollar threshold used to distinguish between Type A and Type B programs was \$11,163,601 for Federal awards for the year ended September 30, 2013.
- i) The District did not qualify as a low-risk auditee for the year ended September 30, 2013.

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

See Appendix A to the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters at pages 3 through 26 findings 2013-01 through 2013-04 related to the basic financial statements reported in accordance with *Government Auditing Standards*.

3. Findings and Questioned Costs Related to Federal Awards:

Finding Number 2013-005

Prior Year Finding Number 2012-06

Federal Awarding Agency	CFDA #	Federal Program	Federal Award Number
Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	12121DC700W1003, 12121DC700W1006, 12121DC700W5003
Department of Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition	1DC300302
Health and Human Services	93.558, 93.714	Temporary Assistance Needy Families (TANF)	G-1102DCTANF, G-1002DCTANF, G-0901DCTAN2
Department of Education	84.395	State Fiscal Stabilization Fund -Race To The Top	S395A100048
Health and Human Services	93.917	HIV Care Formula Grants	2X07HA0045-22-00, H89HA00012-21-04
Homeland Security	97.067	Homeland Security Grant Program	EMW-2011-SS-00093; 2010-SS-T0-0010, 2009-SS-T9-0085
Health Benefit Exchange	93.525	State Planning and Establishment Grants for the Affordable Care Act's Exchange	HBEIE120133-01

District Department Office of Contracting and Procurement (OCP)

Compliance Requirement Procurement, Suspension and Debarment

Finding Related to ARRA 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.

Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.

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.

According to DC Code 1-204.51, "*prior to the award of a multiyear contract or a contract in excess of \$1,000,000 during a 12-month period, the Mayor or executive independent agency or instrumentality shall submit the proposed contract to the Council for review and approval*"

According to DC Code 2-301.05(G) states that "*All contracts over a million dollars must go to the Office of the Attorney General (OAG) for a legal sufficiency review.*"

Additionally, 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.

Condition

During our FY 2013 procurement testwork, we selected a sample of 36 procurement actions by the District's Office of Contracting and Procurement (OCP) and noted the following:

- a. For 6 procurements, there was insufficient documentation maintained in the contract file to support whether the procurement went through competition or lack thereof.
- b. For 1 procurement, the determination and finding for sole source procurement was not provided.
- c. For 1 procurement, the Human Care determination and finding was not provided.
- d. For 1 procurements, there was no signed contract covering the Purchase Order (PO).
- e. For 1 procurement over \$1 million, for the period August 26, 2012 through August 25, 2013, the council approval was performed in August 2013, leaving the procurement without approval for almost the entire 12 month life of the contract.
- f. For 1 procurement over \$1 million, for the period August 26, 2012 through August 25, 2013, the legal sufficiency was performed in August 2013, leaving the procurement without approval for almost the entire 12 month life of the contract.
- g. For 1 procurement over \$1 million, for the period March 1, 2012 through February 28, 2013 the council approval was not performed until July 2013, leaving the procurement without any approval for the entire life of the contract.
- h. For 1 procurement over \$1 million, for the period March 1, 2012 through February 28, 2013 the legal sufficiency was not performed until July 2013, leaving the procurement without any approval for the entire life of the contract.
- i. For 7 procurements, the District tax compliance documentation was not provided for review.

- j. For 6 procurements, there was no evidence that the District ensured 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.
- k. For 1 procurement, the cost price analysis documentation for a PO amount in excess of \$500,000 was not provided for review.
- l. For 1 procurement, the contracting officer delegation of authority was not provided for review.

CFDA #	Name	Sample Size	Total Exceptions	Exception by Category
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	6	7	a=1; c=1; d=1;e=1;f=1;j=1;l=1
10.559	Child Nutrition	1	0	None
93.558	Temporary Assistance Needy Families (TANF)	8	6	g=1; h=1; i=2; j-2
84.395	State Fiscal Stabilization Fund - Race To The Top	4	1	a=1
93.917	HIV Care Formula Grants	8	12	a=4; b=1; i=4; j-2;k-1
97.067	Homeland Security Grant Program	4	2	j=1; k=1
93.525	State Planning and Establishment Grants for the Affordable Care Act's Exchange	5	0	None
	Total	36	28	

We also selected a sample of 3 procurements from independent agencies and noted the following:

- 1. For 1 procurement over \$1 million, there was no evidence of Council approval.

CFDA #	Name	Sample Size	Exceptions
93.525	State Planning and Establishment Grants for the Affordable Care Act's Exchange	3	1
	Total	3	1

Cause

OCP and the independent agency did not adhere to the District’s procurement laws and regulations to maintain documentation supporting procurements.

Effect

The District was non-compliant with Federal and local procurement laws and regulations.

Recommendation

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

Related Noncompliance

Material Noncompliance for Special Supplemental Nutrition Program for Women, Infants, and Children, TANF, HIV Care Formula Grants and Homeland Security Grant Program

Noncompliance for State Fiscal Stabilization Fund—Race to the Top and State Planning and Establishment Grants for Affordable Care Act Exchanges

Questioned Costs

None

Views of Responsible Officials

Management concurs with all but 4 of the findings, which relate to PO456855 and PO447598 pertaining to Council approval and legal sufficiency.

D.C. Code 1-204.51 states, *(I) In general, “No contract involving expenditures in excess of \$1,000,000 during a 12 month period may be made unless the Mayor submits the contract to the Council for its approval and the Council approves the contract (in accordance with criteria established by the Council).”* In this language, there is no mention of the word “prior”.

While we acknowledge procedurally that Council approval and legal sufficiency should be obtained prior to the award of contracts, it must be noted that it is at times operationally necessary to award these types of contracts urgently so as to prevent disruption of critical services.

Also, it is important to note that since the implementation of collaborative multi-year remediation action plan there has been a steady decline in procurement deficiencies from FY 10 to the present fiscal year. Additionally, the FY13 Single Audit results substantiate that there are no questioned costs for the third consecutive year. OCP believes this is indicative of significant progress in the continued deficiency remediation efforts and we remain confident that with on-going systematic training, diligent oversight and accountability the District’s procurement deficiencies will continue to trend downward.

KPMG Response

We have reviewed management’s response and our finding stands as indicated.

<i>Finding Number</i>	2013-006
<i>Prior Year Finding Number</i>	2012-08
<i>Federal Program</i>	Supplemental Nutrition Assistance Program Cluster (10.551, 10.561)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS) - Quality Control Division
<i>Compliance Requirement</i>	Special Tests and Provisions - Quality Control Unit
<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...*”

Per 7 CFR 275.2(b) the State or local government must establish a quality control unit that is independent of program operations. A Quality Case Action Review schedule for active cases and a Narrative Summary Sheet for negative cases are reviewed and approved by a supervisor. When a finding greater than \$50 is identified a Quality Control Response form is sent to the Office of Quality Assurance and Analysis (OQAA) and they must respond within 10 days by signing the response form. Further, once an error is found the supervisor must sign a Notification Report.

Per Quality Control Review Reports (7 CFR 275.21(b) (2) and (4)) the State agency shall have at least 115 days from the end of the sample month to dispose of and report the findings of all cases selected in a sample month. FNS may grant additional time as warranted upon request by a State agency for cause shown to complete and dispose of individual cases. For each case that remains pending 115 days after the end of the sample month, the State agency shall immediately submit a report that includes an explanation of why the case has not been disposed of, documentation describing the progress of the review to date, and the date by which it will be completed. If FNS extends the time frames in paragraph (b)(2) of this section, this date will be extended accordingly. If FNS determines that the above report does not sufficiently justify the case's pending status, the case shall be considered overdue.

Condition

During our control testwork over the Special Tests and Provisions – Quality Control Unit (QCU), we noted 4 exceptions out of the 40 cases selected for testwork. Specifically, we noted that:

- For 3 cases, management did not submit the case to FNS within the required 115 days. Additionally, management did not submit the required progress report for the 3 unresolved cases or obtain an extension of time from FNS. We also noted for 2 of the 3 late submissions that OQAA did not sign and return the Quality Control Response Forms within the required 10 days.
- For one of the samples, QCU did not conclude on the case and deemed the case to be “incomplete”. While permissible for submission to FNS, we noted the underlying discrepancy was not

communicated to the Department of Human Services or OQAA for further investigation, therefore there was no resolution to the case in question. Specifically, the QCU determined the eligibility determination for active case #604084 could not be concluded upon, therefore indicating the case may not be eligible to receive benefits, and no action had been taken to investigate further and/or resolve and SNAP benefits were still being remitted to the beneficiary.

Cause

Controls are not operating effectively over the review of the case files by the QCU to ensure timely submission of case results to FNS, as well as effective resolution of matters identified.

Effect

Without adequate internal controls to ensure management review and approval of cases are performed in a timely manner, there may be errors that are not being properly communicated to the OQAA and DHS and as a result ineligible participants may be receiving benefits. Additionally the District was unable to demonstrate full compliance with the Quality Control review requirements.

Recommendation

We recommend that management enforce existing policies and procedures to ensure that cases are submitted to FNS timely. To facilitate timely submission to FNS, we recommend that QCU strengthen its current monitoring controls to adequately ensure the OQAA responds within the 10 days of receiving the Quality Control Response Form for errors.

Furthermore, we recommend that QCU strengthen its current policies and procedures to include notification of DHS and OQAA when cases are deemed “incomplete”.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

To strengthen current policies and procedures, Quality Control (QC) managers had a web based application designed in QuickBase titled “Food Stamp Quality Control Tracking” to assist with monitoring case completion to ensure that staff are meeting current internal due dates to allow DC to meet federal due dates. E-mail alerts will be sent as reminders of upcoming due dates as well as reminders that internal due dates were not met. The application will also send out e-mail alerts to OQAA of upcoming 10 day time lines to ensure timely responses. This application will be in use beginning with the June 2014 sample month.

Additionally, QC will forward all cases deemed as “incomplete” to the ESA Fraud Investigation Division for further investigations, as required by 7 CFR 275.12(g)(1).

<i>Finding Number</i>	2013-007
<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>	U.S. 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 tests 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 daily response file review from October 2012 to January 2013.

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

Daily Response files from the EBT Vendor are reviewed daily by the Division of Information Systems (DIS) Deputy Administrator or Assistant Deputy Administrator, and any identified problems are resolved. Due to the volume of paper, these files have traditionally been discarded. Beginning in FY 2014, DIS will retain all Daily Response files from the previous fiscal year for one year. Documentation will reflect actions taken to resolve the identified problem.

<i>Finding Number</i>	2013-008
<i>Prior Year Finding Number</i>	2012-09
<i>Federal Program</i>	Supplemental Nutrition Assistance Program Cluster (10.551, 10.561)
<i>Federal Program Number</i>	1DC400402
<i>Federal Agency</i>	U.S. 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 1.08 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..."*

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."*

Per the Department of Human Services 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 Supplemental Nutrition Assistance Program (SNAP), we selected a sample of 65 payments from the population of SNAP beneficiary payments. We then tested compliance with SNAP eligibility requirements for the beneficiaries related to those 65 claims payments. Within our sample of 65, we noted that the Department of Human Services was unable to provide sufficient documentation to support the eligibility determination for twenty (20) samples. We determined that the District paid \$4,303 in federal awards during the sampled months related to those twenty SNAP beneficiaries. This amount represents 36% of the total amounts paid by the District in claims related to the 65 beneficiary payments sampled of \$11,936. The District paid a total of \$236,007,366 in beneficiary payments to SNAP beneficiaries in FY2013.

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 SNAP beneficiaries may receive benefits under the SNAP 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 scanning all beneficiary files into the Document Imaging Management System (DIMS) to allow for the files to be available electronically.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known: \$4,303

Views of Responsible Officials

DHS continues to utilize the Document Imaging Management System (DIMS), which allows the agency to scan beneficiary files for electronic storage and access and to monitor compliance with policies and procedures in maintaining case record documentation.

The District has space limitations at the Service Centers and therefore must house documents at several locations. Additionally, some of the ESA Service Centers are under construction. These transitions, too, required the movement of case files to locations other than the 'temporary' service centers. Consequently, it was difficult to locate documents that were tagged to be scanned and indexed into DIMS.

The District has already executed strategies to ensure full compliance with records maintenance policies and initiated a records search wherein, employees were identified to search the various storage areas for the customer documentations. This search has been fruitful and cases are being located. This records search effort will be ongoing. Other strategies to comply with records maintenance include:

Manifest Tracking

There is a plan to prepare a manifest of the fiscal years housed at each storage location. This will inform searches and reduce time required to retrieve documents.

Quickbase Tracking

DHS plans to initiate a new Quickbase tracking system called, 'Case Record Management Tracking System', which will be used to record all documents received in the Case Records Management Unit (CRMU) and its storage location.

<i>Finding Number</i>	2013-009
<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 (10/1/2012 – 9/30/2013)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Special Tests and Provisions – Paid Lunch Equity
<i>Finding Related to ARRA</i>	No

Criteria

Per 7 CFR Section 210.14 (1), *Calculation procedures*:

“Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section.”

Per 7 CFR Section 210.14 (5), *Reduction in average price for paid lunches*:

“(i) Any school food authority may reduce the average price of paid lunches as established under this paragraph if the State agency ensures that funds are added to the nonprofit school food service account in accordance with this paragraph. The minimum that must be added is the product of:

- (A) The number of paid lunches claimed by the school food authority in the previous school year multiplied by
- (B) The amount required under paragraph (e)(3) of this section, as adjusted under paragraph (e)(4) of this section, minus the average price charged.”

Condition

During fiscal year 2013, the District of Columbia Public Schools (DCPS) did not perform required calculations of its weighted average price of paid lunches and the reimbursement difference, until requested to do so a result of our audit.

Cause

DCPS program management did not have formalized policies and procedures in place to perform the required calculations to determine compliance with the paid lunch equity requirements during fiscal year 2013.

Effect

DCPS did not have documentation to demonstrate compliance with the Child Nutrition program requirements specified in part 1 of 7 CFR Section 210.14. Subsequent to our request as part of the audit, DCPS performed the calculations and demonstrated that they contributed sufficient local revenue to the school food service account during fiscal year 2013 to comply with the paid lunch equity requirements set forth in part 5 of 7 CFR Section 210.14.

Recommendation

We recommend that DCPS develop policies and procedures to calculate its weighted average price of lunches and the reimbursement difference, and determine compliance with the paid lunch equity requirements annually.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS was in full compliance with the Child Nutrition program requirements in question. Documentation was not available to demonstrate this compliance, but was completed upon request and confirmed DCPS's compliance. Policy and procedures to determine compliance with paid lunch equity requirements annually have existed, and now have been formalized as operational policies and procedures to continue to meet these requirements.

<i>Finding Number</i>	2013-010
<i>Prior Year Finding Number</i>	2012-12
<i>Federal Program</i>	Child Nutrition Cluster (CFDA # 10.553, 10.555, 10.556, & 10.559)
<i>Federal Award Number</i>	1DC300302 (10/1/2012-9/30/2013)
<i>Federal Agency</i>	U.S. 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 as established by OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments 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.

7 CFR 245.3 states:

“Each School Food Authority shall serve free and reduced price meals or free milk in the respective programs to children eligible under its eligibility criteria.”

7 CFR 245.6 states:

“The local educational agency may directly certify children for free meals or free milk based on documentation received from the appropriate State or local agency that administers *FDPIR* or *TANF*, as defined in § 245.2, when that agency indicates that the children are members of a household receiving assistance under one of these programs. In addition, the local educational agency may directly certify children for free meals or free milk based on documentation from the appropriate State or local agency or other appropriate individual, as specified by FNS, that the child is a *Migrant child*, a *Homeless child*, a *Runaway child*, or a *Head Start child*, as defined in § 245.2.”

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 FY 2013 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 one (1) student, DCPS was unable to provide evidence of how the student was directly certified during the period in which they received free meals.
- For two (2) students, we noted that the student's Websmart account history showed that they received meals on days that the students' attendance records showed that they were absent from school.
- For one (1) student, the student received free meals without the parents providing the required income information to support the student's eligibility to receive free meals. The error was detected and corrected by DCPS management in the subsequent fiscal year.

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.

Effect

DCPS was non-compliant with the eligibility and reporting requirements for the Child Nutrition Cluster.

Recommendation

We recommend that DCPS strengthen their system of internal controls to ensure that only eligible students receive free or reduced meals, and that reimbursement claims include only those students eligible to receive free or reduced meals according to program guidelines to include the following:

- Maintenance of appropriate supporting documentation to support eligibility determination of directly certified students;
- Additional controls at the point of sale to ensure that free and reduced price meals are only served to students in attendance; and
- Additional edit checks within the Websmart application to prevent inaccurate system eligibility determinations.

Related Noncompliance

Noncompliance

Questioned Costs

Known: \$814

Views of Responsible Officials

The student in question was directly certified by another member of their household being listed on the direct certification list. The USDA Eligibility Manual for School Meals states, "Eligibility for free meals is extended to all children in a household if one member has been directly certified as eligible under the Assistance Programs. These children are also considered directly certified". The student in question had two siblings within the same household on the direct certification list and was therefore deemed directly certified.

The existing policies and procedures over daily accountability outline the controls at the point of sale to ensure that free and reduced price meals are only 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. In secondary schools where we found inaccurate use of student ID numbers, DCPS will mandate that students also show their photo ID cards.

DCPS maintains that it has effective internal controls over the eligibility determination process, and ensures participants are accurately assessed for free and reduced price lunch through its existing policy and procedures in place for processing Free and Reduced Meal (FARM) Applications. The application mentioned above with inaccurate student eligibility was discovered as incorrect by DCPS and amended within 100 days of processing the application which is within an acceptable time threshold of self-audit. In a 2013 OSSE review of DCPS's FARM application processing, it was found that DCPS had less than .5% margin of error in a total range of over 2,500 applications reviewed, therefore OFNS will continue to follow its current policy and process.

DCPS does not agree with the questioned costs listed. Costs extrapolated this way are based on assumptions of a single, minute sample size of 65, which lies in a population of nearly 10,000. Statistically, in a range this large multiple samples would be required to properly test the validity of the findings. DCPS further refutes the cost extrapolation presented as a result of the insufficient data collection.

KPMG's Response

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

<i>Finding Number</i>	2013-011
<i>Prior Year Finding Number</i>	2012-17
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (10.557)
<i>Federal Award Number</i>	13131DC700W1003 (10/1/12-9/30/13) 13131DC700W1006 (10/1/12-9/30/13) 13131DC700W5003 (10/1/12-9/30/13)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed & 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

During our fiscal year 2013 testing over allowability for the WIC program, we noted that DOH continued to allocate payroll expenditures for employees who worked on multiple cost objectives based on predetermined percentages entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the year. These percentages were based on management's estimate of the hours they expected the employee to work on the respective programs, which was submitted as part of the grant application. 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 B8 (h) for the time period October 1, 2012 to April 30, 2013.

In addition, we noted that the semi-annual time certification was not accurately completed for the six months ended September 30, 2013. Per our review of the September 30, 2013 certification, we noted the time certification included an employee who did not work 100% on the WIC program and the certification did not indicate the actual percentage of time the employee charged to the program during the time period. As a result, the completed time certification implied the employee worked 100% on the WIC program when only 70% of the employee's time was charged to the program.

Cause

DOH did not initially have policies and procedures in place to compare the estimated amount of payroll expenditures charged to the WIC program to the actual expenditures incurred. However, DOH implemented policies and procedures and began performing this comparison monthly beginning in May 2013.

Additionally, adequate management review was not performed over the semi-annual time certification to ensure that the certification was complete and accurate.

Effect

Without adequate controls in place, DOH cannot ensure that payroll expenditures charged to the WIC grant accurately reflected the time incurred on the program and are properly supported in accordance with OMB Circular A-87 effort reporting requirements.

Recommendation

We recommend that program management enhance the review process over the semi-annual certifications to ensure it is properly completed.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable. However, the total payroll costs, including fringe benefits for WIC in FY 2013 for the employees who worked on multiple cost objects, were \$15,977.

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding for the Special Supplemental Nutrition Program for Women, Infants and Children. DOH will follow-through on the recommendation of this report and its existing plan to implement an agency-wide policy, procedure and compliance monitoring protocols for time and effort reporting as part of the corrective action plan for the FY12 finding. DOH's plan to require utilization of the combo code function of the existing PeopleSoft payroll system has not changed. FY13 activities supported configuration of the system, planning for phased piloting and roll-out and full implementation in FY14. The DOH Office of the Director has convened a senior management team comprised of agency leads for human resources, grants management, IT and finance to ensure that this deficiency is fully remediated.

<i>Finding Number</i>	2013-012
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (10.557)
<i>Federal Award Number</i>	13131DC700W1003 (10/1/12-9/30/13) 13131DC700W1006 (10/1/12-9/30/13) 13131DC700W5003 (10/1/12-9/30/13)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

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 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

There were 4 subrecipients in the WIC program that had total expenditures of \$2,791,671 during fiscal year 2013. As part of our testing over the subrecipient monitoring compliance requirement, we selected a sample of two subrecipients for testing that had total expenditures of \$1,122,372. Based on our testing, we identified the following exceptions:

- For one of the two subrecipients, DOH was unable to provide the Management Evaluation report to evidence that on-site monitoring activities were performed. Also, we noted that the subrecipient submitted the required FY 2012 OMB Circular A-133 audit report seven months late. The report was due on September 30, 2013; however, DOH did not perform adequate monitoring or follow-up to ensure the required audit report was timely submitted.
- For one of the two subrecipients, supporting documentation could not be provided evidencing that a corrective action plan was implemented on all OMB-A-133 audit findings reported.

Cause

DOH did not adhere to its existing policies and procedures in place to ensure the completion of the Management Evaluation report, which documents the results of the site visits and any required follow-up procedures.

In addition, DOH did not have a process in place to monitor subrecipients subject to OMB Circular A-133 to ensure the related audit reports were submitted timely and that any necessary corrective action plans were implemented by the subrecipient when deficiencies were identified.

Effect

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

Recommendation

We recommend DOH:

1. Adhere to its existing policies and procedures regarding the on-site monitoring process, and
2. Develop and implemented a process to monitor subrecipients to ensure their OMB Circular A-133 audit reports are submitted timely, and that correction action plans are implemented to address any deficiencies identified in the audit reports.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding. While DOH personnel documented on-going communication with subgrantees and followed agency protocols regarding site visits, management evaluations and review of the status and results of subgrantee A133 reports, DOH internal controls did not fully mitigate risks and incidents of lack of follow-up in those instances where deficiencies or non-compliance were documented by a monitor or third-party review. Immediately, DOH will direct resources to training and skill-building on conducting risk assessments and following-up with remediation and corrective actions. Additionally, existing formats and processes will directly address responsible personnel scheduling the receipt, review and follow-up actions related to A-133. Office of Grants Management has identified a uniform A-133 certification template for use with requests for applications, grant agreements and monitoring plans.

The more comprehensive plan continues to be implemented in FY14 and is in its planning phase: the development of an Electronic Grants Management Solution (EGMS) which will create an on-line environment for managing routine oversight and federal grant and subgrant monitoring processes. This plan is committed and will strengthen internal controls, documentation of routine monitoring transaction and increased capacity to monitor compliance.

<i>Finding Number</i>	2013-013
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (10.557)
<i>Federal Award Number</i>	13131DC700W1003 (10/1/12-9/30/13) 13131DC700W1006 (10/1/12-9/30/13) 13131DC700W5003 (10/1/12-9/30/13)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 2 CFR part § 180.425 “*When do I check to see if a person (subrecipient) is excluded or disqualified? As a Federal agency official, you must check to see if a person (subrecipient) is excluded or disqualified before you – (a) Enter into a primary tier covered transaction; (b) Approve a principal in a primary tier covered transaction; (c) Approve a lower tier participant if your agency’s approval of the lower tier participant is required; or (d) Approve a principal in connection with a lower tier transaction if your agency’s approval of the principal is required.*”

Condition

There were 4 subrecipients in the WIC program that had total expenditures of \$2,791,671. As part of our testing over the suspension and debarment compliance requirement, we selected a sample of two subrecipients for testing that had expenditures totaling \$1,122,372 during fiscal year 2013. For both of the subrecipients selected, DOH was unable to provide evidence that a verification check to ensure that the subrecipient was not suspended or debarred per the Excluded Parties List System (EPLS) until after the Human Care Agreement was executed.

Cause

DOH did not adhere to its existing policies and procedures in place to ensure that the EPLS/SAM was checked prior to the issuance of the Human Care Agreement.

Effect

The District did not comply with the suspension and debarment requirements for the WIC program.

Recommendation

We recommend the DOH adhere to its existing policies and procedures regarding the verification that subrecipients are not suspended or debarred.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding and accepts the recommendations of this report moving forward. Since the time that these exceptions occurred, DOH has and will continue to utilize the available systems functions that ensure compliance with District and federal requirements for suspension and debarment review. This includes mandatory use by personnel of existing contract management and contract compliance tools (via Ariba), which have imbedded controls for assuring that all required supportive and compliance documents are attached to requisitions. These tools exist and are currently being used.

The subrecipients cited in this finding have since had excluded party searches conducted prior to issuance of the current task orders. The EPLS documentation is part of the official record, thus this deficiency has since been corrected.

<i>Finding Number</i>	2013-014
<i>Prior Year Finding Number</i>	2012-21
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (10.557)
<i>Federal Award Number</i>	13131DC700W1003 (10/1/12-9/30/13) 13131DC700W1006 (10/1/12-9/30/13) 13131DC700W5003 (10/1/12-9/30/13)
<i>Federal Agency</i>	Department of Agriculture
<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 of the obligation. For example, if a subaward is made on October 2, 2012, the subaward information must be reported no later than November 30, 2012. 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."

Condition

During our testing of the FFATA reporting requirements, we noted that the WIC program had non-ARRA subawards with a value of \$25,000 or more. However, DOH did not report these subawards in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) for the period October 1, 2012 to May 30, 2013.

Cause

For the period October 1, 2012 to May 30, 2013, DOH did not have a process in place to submit the applicable subaward information in FSRS. In June 2013, DOH began implementing a process to the required FFATA information; however, they experienced technical issues with FSRS and were not able to gain access to the system until October 2013.

Effect

DOH did not comply with the FFATA reporting requirements for the WIC program for the period October 1, 2012 to May 30, 2013.

Recommendation

We recommend that management continue implementing their process for FFATA reporting, including implementing effective controls to ensure the reported information is complete and accurate.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding. However, in this response, DOH is refuting the cause cited in this report. DOH does indeed have a centralized FFATA reporting process and controls in place for monthly reporting of subawards into the Federal Subaward Reporting System (FSRS). Monthly, FSRS reporting is done by the DOH Office of Grants Management with responsible personnel assigned to facilitate a review, approval flow and on-line reporting process. There is compliance monitoring in place by a manager. The exception noted in this finding is the result of technical issues with the FSRS which are well documented, including screen shots of systems error messages and receipts for FSRS help desk requests.

DOH concurs that FFATA required reporting for WIC awards did not begin until the last quarter of FY13; however, the report does not state that the prime recipient DUNS number for these awards were different from the DOH DUNS number, thereby eliminating access by FFATA reports with established FSRS accounts. Reporting for WIC subawards could not occur until (1) DOH personnel had discovery and knowledge of WIC awards that were not aligned with any existing DOH FSRS account and (2) personnel at the Community Health Administration were trained and assigned access to the FSRS accounts specifically to do FFATA reporting for WIC. All past due reports have been submitted to FSRS and monthly reporting continues to date. Thus, this deficiency has been corrected.

<i>Finding Number</i>	2013-015
<i>Prior Year Finding Number</i>	2012-31
<i>Federal Program</i>	Community Development Block Grant (CDBG) (14.218)
<i>Federal Award Number</i>	B11-MC-11-001; B12-MC-11-001)
<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 & 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 costs of \$2,812,913 for fiscal year 2013. We selected 40 payroll transactions for testing with total expenditures of \$70,647. During our testwork, we noted the following:

- For 3 out of 40 transactions selected for testing, we noted the total hours charged to the program for the employee per the 485 report was more than the time charged to the CDBG program per the employee's timesheet.
- For 3 out of 40 transactions selected for testing, we noted combo codes were not used when completing their timesheets; therefore, we could not determine if time and related costs charged to the program were based on the actual hours worked.

Cause

DHCD continued to allocate payroll expenditures for employees who worked on multiple cost objectives based on predetermined percentages entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the 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 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 2013.

Effect

Payroll costs charged to the CDBG program were not supported in accordance with OMB Circular A-87 effort reporting requirements.

Recommendation

We recommend:

- Management implement policies, procedures and controls to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87; and
- Management continues with its plans to implement combo codes in PeopleSoft. 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

Noncompliance

Questioned Costs

Not determinable. However, total payroll costs for CDBG in FY 2013 were \$2,812,913, including fringe benefits.

Views of Responsible Officials

Management Concur with Finding.

DHCD employees use 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 up in PeopleSoft. And where employees charge their time straight without using the combo codes, PeopleSoft allocate their time based on percentages set up in the system. Also, it should be noted the DHCD has policies, procedures and controls in place to ensure compliance with all applicable laws and regulations regarding the distribution of salaries and related benefits of employees assigned to work on multiple activities.

Additionally, Program Managers will be entrusted to ensure that employees properly record time in PeopleSoft using the right Combo Codes.

KPMG Response

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

<i>Finding Number</i>	2013-016
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grant (CDBG) (14.218)
<i>Federal Award Number</i>	B11-MC-11-001; B12-MC-11-001)
<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>	Davis-Bacon Act
<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.

40 U.S.C. 3141 states that "...the Davis-Bacon and Related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act and Related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine such locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors performing work on federal or District of Columbia contracts. The Davis-Bacon Act prevailing wage provisions apply to the "Related Acts," under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance."

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 that "...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.”

Condition

During our testwork, we noted that DHCD did not have adequate controls in place to ensure full compliance with the Davis-Bacon Act. Specifically we noted the following:

- For 1 out of 1 contract tested, we noted the executed contracts did not include in its entirety the required Davis-Bacon Act and related Department of Labor regulation clauses.
- For 5 of the 9 weeks selected, we noted that the certified payrolls or statement of compliance for no work performed were not received by DHCD.
- For 4 of the 9 certified payrolls tested, we noted the receipt and review date of the certified payroll was not documented; therefore, we could not determine the timeliness of the submission or review of the certified payroll.

Cause

DHCD did not have sufficient controls in place to ensure the contracts and subcontracts contained the required Davis-Bacon Act requirements.

Additionally, DHCD did not have adequate policies and procedures to ensure compliance with the Davis-Bacon Act requirements.

Effect

Without effective internal controls, DHCD is not able to ensure that contractors and subcontractors are aware of and complying with the Davis-Bacon Act requirements.

Recommendation

We recommend DHCD:

1. Strengthen controls to ensure that the required Davis-Bacon Act clauses are contained in the contracts;

2. Develop and implement a process that requires management 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; and to
3. Develop and implement a process that requires management to document the date of receipt and review of the certified payrolls or statement of compliance for no work performed.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The agency is aware of the issue and based upon the feedback of KPMG, the agency has implemented controls to remediate the findings for Davis Bacon that were issued in FY 2012 [for the HOME program] and currently during FY 2013; however, due primarily to personnel issues, the complexity of the process and, the fact the finding was made in May of 2013 which is four months prior to the end of FY 2013, DHCD notes that it was difficult to fully implement the controls relative to when the issue were identified. As a result the controls were not fully implemented in FY 2013 (please note that we did update our Davis Bacon contract agreements and while not formally documented followed up on deficiencies with contractors). As discussed with KPMG staff on several occasions, prior to the end of the current audit, we have updated our policies and procedures to address the concerns noted above with regard to ensuring that Davis Bacon related contracts have appropriate language and that certified payrolls are being reviewed on a timely basis. We have also submitted written documentation to reflect these changes.

<i>Finding Number</i>	2013-017
<i>Prior Year Finding Number</i>	2012-32
<i>Federal Program</i>	Community Development Block Grant (CDBG) (14.218)
<i>Federal Award Number</i>	B11-MC-11-001; B12-MC-11-001)
<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>	Reporting
<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.

2 CFR part 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.

Condition

During our walkthrough of the reporting process for the Community Development Block Grant program, we noted the FFATA reports were not reviewed by someone other than the preparer prior to being submitted to HUD through the FFATA Subaward Reporting System (FSRS).

Additionally, during our testing of four monthly reports, we noted the following:

- For the month of December 2012, the report did not include obligations of \$35,289 for subawards and incorrectly included obligations of \$613,287 for vendors;
- For the month of February 2013, the report did not include obligations of \$109,018 for subawards, and incorrectly included obligations of \$45,559 for vendors and the incorrect year was entered for one of the obligations;
- For the month of April 2013, the reported did not include obligations of \$31,019 for subawards and incorrectly included obligations of \$27,727 that were incurred in March 2013;
- For the month of June 2013, the report did not include obligations of \$82,627, and incorrectly included obligations of \$228,440 that were incurred in May 2013 and obligations of \$45,298 for vendors.

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.

Effect

DHCD was not in compliance with the FFATA reporting requirements.

Recommendation

We recommend that management develop policies and procedures that require management to perform a quality control review of the FFATA reports prior to submission.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

In response to the issues noted with regard to the FFATA report preparation, DHCD has immediately implemented new policies and procedures to ensure that the FFATA report is reviewed in a timely manner by appropriate personnel. Specifically, under the new procedures, the Agency's Financial Officer or their designee upon request from the OPM Resource Management Specialist will provide by email a copy of monthly expenditures exceeding \$25,000. This information will be vetted by Agency Financial Officer or their designee for accuracy prior to being provided to the Resource Management Specialist prior to being included in the FFATA submissions.

After receiving this information, the Resource Management Specialist will draft the final report containing the information provided by the Agency Financial Officer or their designee. Relying on the accuracy of the review performed by the Agency Financial Officer or their designee agency's Compliance Officer and the Deputy Director will review and approve the reports prior to submission.

<i>Finding Number</i>	2013-018
<i>Prior Year Finding Number</i>	2012-34
<i>Federal Program</i>	Community Development Block Grant (CDBG) (14.218)
<i>Federal Award Number</i>	B11-MC-11-001; B12-MC-11-001)
<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>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

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 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 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..."

Condition

The CDBG program had \$10,631,252 in subrecipient payments for fiscal year 2013. We selected a sample of nine subrecipients for testing that had \$7,682,601 in total expenditures during the 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; award name and number; and requirements imposed by laws, regulations, and the provisions of contract or grant agreements;

- For seven of the 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; and
- For three of the nine subrecipients, supporting documentation could not be provided evidencing that a corrective action plan was implemented on all OMB-A-133 audit findings reported.

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 have sufficient controls in place to ensure the grant agreements contain the required grant award information.

Additionally, DHCD did not have sufficient monitoring policies and procedures in place to ensure corrective action plans were implemented by subrecipients when deficiencies are identified.

Based on discussion with management, we also noted that DHCD did not believe they had control over the real property held by subrecipients; thus DHCD did not have policies and procedures in place that required management to monitor subrecipients to determine if the use or planned use of the property had changed.

Effect

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

Recommendation

We recommend DHCD:

1. Strengthen their controls to ensure that the required award information is contained in the grant agreements, and
2. Develop and implement a process to monitor subrecipients to ensure that correction action plans are implemented to address any deficiencies identified in the audit reports.
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 finding. DHCD has developed, and implemented policies and procedures to monitor subrecipient activities to ensure compliance with all applicable laws and regulations. The new policies and procedures take effect starting in FY 2014. Since this finding is a repeat from prior year and the finding issued 9 months into the program year, it did not allow the agency adequate time to address the finding timely.

<i>Finding Number</i>	2013-019
<i>Prior Year Finding Number</i>	2012-40
<i>Federal Program</i>	HOME Investment Partnership 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 & Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

OMB Circular A-87 states,

(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.

Additionally, per OMB Circular A-87 Attachment B Section 8(g)(2), severance payments should be classified as indirect costs.

Condition

The HOME program had total payroll costs of \$1,256,066 for fiscal year 2013. We selected 40 payroll transactions for testing with total expenditures of \$167,724. During our testwork, we noted the following:

- For 4 out of 40 transactions selected for testing, we noted the total hours charged to the program for the employee per the 485 report was more than the time charged to the HOME program per the employee's timesheet.
- For 6 out of 40 transactions selected for testing, we noted combo codes were not used when completing their timesheets; therefore, we could not determine if time and related costs charged to the program were based on the actual hours worked.
- For 1 of the 40 samples, we noted severance pay totaling \$6,677 was directly charged to HOME and should have been classified as indirect costs.

Cause

DHCD continued to allocate payroll expenditures for employees who worked on multiple cost objectives based on predetermined percentages entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the 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 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 2013.

Also, DHCD does not have a process in place to identify which costs should be classified as indirect costs.

Effect

Payroll costs charged to the HOME program were not supported in accordance with OMB Circular A-87 effort reporting requirements.

Recommendation

We recommend management:

- Develop and implement a process to perform a periodic comparison of employees' estimated hours to the actual hours incurred, and make any necessary adjustment as required by OMB Circular A-87;

- Continue with its plans to implement combo codes in PeopleSoft. 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; and
- Implement policies and procedures to ensure that costs are correctly classified and allocated to the program as set forth in OMB Circular A-87.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable. However, total payroll costs for HOME in FY 2013 was \$1,256,066 including fringe benefits.

Views of Responsible Officials

Management Concur with Finding.

DHCD employees use 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 up in PeopleSoft. And where employees charge their time straight without using the combo codes, PeopleSoft allocate their time based on percentages set up in the system. Also, it should be noted the DHCD has policies, procedures and controls in place to ensure compliance with all applicable laws and regulations regarding the distribution of salaries and related benefits of employees assigned to work on multiple activities.

Additionally, Program Managers will be entrusted to ensure that employees properly record time in PeopleSoft using the right Combo Codes.

DHCD will review the severance payment in question, and will ensure that the costs are correctly classified and allocated.

KPMG Response

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

<i>Finding Number</i>	2013-020
<i>Prior Year Finding Number</i>	2012-36
<i>Federal Program</i>	HOME Investment Partnership 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>	Davis-Bacon Act
<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.

40 U.S.C. 3141 states that "...the Davis-Bacon and Related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act and Related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine such locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors performing work on federal or District of Columbia contracts. The Davis-Bacon Act prevailing wage provisions apply to the "Related Acts," under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance."

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 that "...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.”

Condition

During our testwork over compliance with the Davis-Bacon Act, we identified the following exceptions:

- For 3 of the 3 contracts selected for testing, we noted the required Davis-Bacon Act and related Department of Labor regulation clauses were not included in their entirety;
- For 6 of the 25 certified payrolls selected for testing, we noted that the certified payrolls or statement of compliance for no work performed was received by DHCD on average 39 days after the scheduled payroll week ending date. Furthermore, written follow-up was not provided by DHCD to the contractor/subcontractor indicating that the certified payroll or statement of compliance for no work performed was not received by the due date;
- For 7 of the 25 certified payrolls tested, we noted the receipt date of the certified payroll was not documented; therefore, we could not determine the timeliness of the submission of the certified payroll.
- For 6 of the 25 certified payrolls tested, we noted the receipt and review date of the certified payroll was not documented; therefore, we could not determine the timeliness of the submission or review of the certified payroll.

Cause

DHCD did not have sufficient controls in place to ensure the contracts and subcontracts contained the required Davis-Bacon Act requirements.

Additionally, DHCD did not have adequate policies and procedures to ensure compliance with the Davis-Bacon Act requirements.

Effect

Without effective internal controls, DHCD is not able to ensure that contractors and subcontractors are aware of and complying with the Davis-Bacon Act requirements.

Recommendation

We recommend DHCD:

1. Strengthen controls to ensure that the required Davis-Bacon Act clauses are contained in the contracts;
2. Develop and implement a process that requires management 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; and to
3. Develop and implement a process that requires management to document the date of receipt and review of the certified payrolls or statement of compliance for no work performed.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The agency is aware of the issue and based upon the feedback of KPMG, the agency has implemented controls to remediate the findings for Davis Bacon that were issued in FY 2012 and currently during FY 2013; however, due primarily to personnel issues, the complexity of the process and, the fact the finding was made in May of 2013 which is four months prior to the end of FY 2013, DHCD notes that it was difficult to fully implement the controls relative to when the issue were identified. As a result the controls were not fully implemented in FY 2013 (please note that we did update our Davis Bacon contract agreements and while not formally documented followed up on deficiencies with contractors). As discussed with KPMG staff on several occasions, prior to the end of the current audit, we have updated our policies and procedures to address the concerns noted above with regard to ensuring that Davis Bacon related contracts have appropriate language and that certified payrolls are being reviewed on a timely basis. We have also submitted written documentation to reflect these changes.

<i>Finding Number</i>	2013-021
<i>Prior Year Finding Number</i>	2012-39
<i>Federal Program</i>	HOME Investment Partnership 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>	Special Tests & Provisions—Housing Quality Standards
<i>Finding Related to ARRA</i>	No

Criteria

Regulation 2 CFR 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 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.”

Condition

During our testing over housing quality standards, we requested a listing of all HOME assisted rental housing units subject to on-site inspections for fiscal year 2013. However, during our review of the listing, we noted that several rental housing units were not included. As a result, we subsequently requested a revised listing but 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 were 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

Unable to conclude due to scope limitation issued related to this compliance requirement.

Questioned Costs

Not determinable

Views of Responsible Officials

Upon review of the finding DHCD has requested that the Portfolio and Asset Management group perform an analysis of the entire loan portfolio of 8000 loans to determine if any properties contained in the portfolio were funded using HOME funds. After identifying the potential universe of potential HOME funded properties in DHCD's portfolio, DHCD will work toward identifying relevant properties that are subject to HOME monitoring, and if necessary add them to our current monitoring schedule.

<i>Finding Number</i>	2013-022
<i>Prior Year Finding Number</i>	2012-37
<i>Federal Program</i>	HOME Investment Partnership 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>	Special Tests & Provisions— Maximum Per Unit Subsidy
<i>Finding Related to ARRA</i>	No

Criteria

Per 24 CFR section 92.250, “The per unit investment of HOME funds may not exceed the Federal Housing Administration (FHA) mortgage limits in Subsection 221(d)(3) of the National Housing Act, including any area-wide high cost exceptions approved by HUD. This information should be available from the grantee or the local HUD field office. In mixed-income or mixed-use projects, the average per unit investment in HOME-assisted units may not exceed the applicable Subsection 221(d)(3) limit. Participating jurisdictions are required to evaluate each housing project in accordance with guidelines that it adopts to ensure that the combination of Federal assistance to the project is not any more than is necessary to provide affordable housing.”

Condition

During our testing, we selected a sample of four projects approved for HOME subsidies totaling \$9,967,357 and noted the following:

- For one project, we noted the following errors in the maximum per unit subsidy calculation:
 - A total subsidy limit of \$73,124 should have been used in determining the maximum per unit subsidy, however, \$106,520 was incorrectly used;
 - The development was a 2-bedroom unit, however the unit limits for studio and 1-bedroom units were used;
 - A total of 7 HOME funded units were used in the calculation when there were only 3 home units;
 - A total of \$420,641 of HOME funds was approved for the project, which was \$201,233 over the HUD approved limit of \$219,418.
- For one project, a total of \$1,302,316 of HOME funds was approved for the project, which was \$2,316 over the HUD approved limit of \$1,300,000.

Cause

DHCD did not have policies and procedures in place to require the maximum per unit subsidy calculations be reviewed by someone other than the preparer to ensure the maximum per unit subsidies were properly calculated.

Effect

Without effective controls, there is an increased risk that projects approved for HOME subsidies could be funded in excess of the FHA mortgage limits in Subsection 221(d)(3) of the National Housing Act.

Recommendation

We recommend management develop and implement policies and procedures that require management to perform a quality control review of the maximum per unit subsidy calculations.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DHCD has put in place policies and procedures to ensure the maximum subsidies are calculated correctly. Project managers' calculations will be reviewed and approved by the Division Managers.

<i>Finding Number</i>	2013-023
<i>Prior Year Finding Number</i>	2012-41
<i>Federal Program</i>	HOME Investment Partnership 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>	Matching, Level of Effort, and Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR 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."

24 CFR 92.300 states,

Each participating jurisdiction must invest at least 15 percent of each year's HOME allocation in projects which are owned, developed, or sponsored by special non-profit organizations called CHDOs. If, during the first 24 months of its participation in the HOME Program, a participating jurisdiction cannot identify a sufficient number of capable CHDOs, then up to 20 percent of the minimum set-aside (but not more than \$150,000 during the 24-month period) may be made available to develop the capacity of CHDOs in the jurisdiction.

24 CFR 92.207 states,

A participating jurisdiction may expend for its HOME administrative and planning costs an amount of HOME funds that is not more than ten percent of the fiscal year HOME basic formula allocation plus any funds received in accordance with 24 CFR section 92.102(b) to meet or exceed threshold requirements that fiscal year. A participating jurisdiction may also use up to ten percent of any return of the HOME investment, as defined in 24 CFR section 92.503, calculated at the time of deposit in its HOME account, for administrative and planning costs.

Condition

The total grant award and program income for DHCD's HOME program during fiscal year 2013 was \$4,343,097 and \$1,673,283, respectfully. During our testwork over the HOME program's earmarking requirements, we noted the following exceptions:

- DHCD was required to expend \$651,465 (15% * \$4,343,097) on projects that were owned, developed, or sponsored by Community Housing Development Organizations (CHDOs) during fiscal year 2013. However, we determined that only \$50,000 was expended on projects sponsored by CHDO's during fiscal year 2013.
- DHCD maximum allowed amount of planning and administrative cost was \$601,638 (10% * (\$4,343,097+\$1,673,283)); however, DHCD expended \$857,722.

Cause

DHCD did not have a process in place to identify qualified CHDOs to participate in the HOME program.

Additionally, DHCD did not adhere to existing policies and procedures in place to monitor the types of expenditures subject to the earmarking requirements throughout the year.

Effect

DHCD was not in compliance with two of the four earmarking requirements.

Recommendation

We recommend management:

- Develop policies and procedures that require management to identify qualified CHDOs to participate in the HOME program; and to
- Adhere to existing policies and procedures regarding the monthly review of the budget to actual reports and making any necessary adjustments.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$256,084. This amount is calculated as the difference between the maximum amount allowed for planning and administrative cost of \$601,638 (10% * (\$4,343,097+\$1,673,283)) and the amount expended by DHCD on planning and administrative costs of \$857,722.

Views of Responsible Officials

Management partially concurs with this finding. DHCD does have policies and procedures in place to administer the CHDO program. Also, DHCD reserved, and committed 15% of its FY2013 HOME funding to CHDO projects, and did set up a Rehab CHDO project in the IDIS as required by law. The project construction started within 12 months of the project set up date in the IDIS. However, no draw request was submitted by the subrecipient during the fiscal year as the construction is still ongoing. DHCD therefore complied with the Earmark requirement.

DHCD will review the Planning and Administrative spending transactions going forward to ensure compliance with the applicable requirements.

KPMG Response

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

<i>Finding Number</i>	2013-024
<i>Prior Year Finding Number</i>	NA
<i>Federal Program</i>	HOME Investment Partnership 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>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

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.”

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.”

Condition

The HOME program had multifamily and single family loans totaling \$91.6 million outstanding at year-end. For our eligibility testing, we selected one new multifamily loan totaling \$1.3 million and a sample of 25 loans that had outstanding balances totaling \$24 million at year-end. During our testing, we noted the following:

- For the 1 new loan selected for testing, there was no support provided evidencing that the borrower satisfied the creditworthiness requirement. Therefore, we could not determine if the borrower was eligible to receive the loan under the affordable housing requirements.
- For 25 of the 25 loans, sufficient supporting documentation was not provided to evidence that the borrowers continued to meet the affordable housing requirements.

Cause

DHCD did not adhere to its existing policies and procedures in place for the maintenance of required documentation.

For 9 out of the 25 loans, which were 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.

Additionally, 11 out of the 25 loans, which were single family loans, 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. However, DHCD did have controls in place to ensure ACS was properly monitoring borrowers.

Effect

DHCD was not in compliance with the eligibility compliance requirements for fiscal year 2013.

Recommendation

We recommend management:

1. Adhere to existing policies and procedures related to maintaining the documentation required to support eligibility of a borrower;
2. Develop policies and procedures that require management to monitor individuals with outstanding loans to ensure continued eligibility during the period of affordability;
3. Develop policies and procedures that require management to periodically review ACS' determination of borrowers' eligibility during the period of affordability.

Related Noncompliance

Unable to conclude due to scope limitation issued related to this compliance requirement.

Questioned Costs

Not determinable

Views of Responsible Officials

Upon review of the finding DHCD has requested that the Portfolio and Asset Management group perform an analysis of the entire loan portfolio of 8000 loans to determine if any properties contained in the portfolio were funded using HOME funds. After identifying the potential universe of potential HOME funded properties in DHCD's portfolio, DHCD will work toward identifying relevant properties that are subject to HOME monitoring, and if necessary add them to our current monitoring schedule. In addition, DHCD will update its current policies and procedures to address the issues raised surrounding eligibility and the monitor activities performed on behalf of DHCD by ACS.

<i>Finding Number</i>	2013-025
<i>Prior Year Finding Number</i>	2012-45
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS Program (14.241)
<i>Federal Award Number</i>	DCH012-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

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."

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).

Cause

Adequate management review was not performed over the reports to ensure that the information submitted to HUD was complete and accurate.

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 agree to sufficient supporting documentation, and that the supporting documentation is properly maintained.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding regarding deficiencies found in the support documentation used by DOH to prepare the Consolidated Annual Performance and Evaluation Report (CAPER). Managers of the HIV/AIDS, Hepatitis, STD and TB Administration (HAHSTA) had established an internal review and approval flow of HOPWA program expenditures and support documents based on prior year's finding and this system will be refined immediately to ensure a process for on-going and interim budget to actual expenditure review, with validation and approval of final reports at the level of the Office of the Director and the Office of the Chief Financial Officer. New DOH Standard Operating Procedures for federal awards management are being developed and will define the approval flow and submission authority for CAPER and all reports. Also, HAHSTA expects to fill a vacant Housing Manager position in FY14 to ensure that these procedures are fully implemented.

<i>Finding Number</i>	2013-026
<i>Prior Year Finding Number</i>	2012-46
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS Program (14.241)
<i>Federal Award Number</i>	DCH012-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

Regulation 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.”

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 13 subrecipients with total expenditures of \$12,235,832 during fiscal year 2013. As part of our testing over the subrecipient monitoring compliance requirement, we selected a sample of four subrecipients for testing that had expenditures totaling \$10,609,249. Based on our testing, we identified the following exceptions:

- For one of the four subrecipients, we noted DOH was unable to provide evidence that the on-site monitoring report was reviewed.
- For one of the four subrecipients, DOH notified the subrecipient of the required OMB-A-133 audit; however, DOH did not perform adequate follow-up or take appropriate action against the subrecipient to ensure the required OMB-A133 audit was completed.

Cause

DOH did not adhere to its policies and procedures in place to ensure management review of the on-site monitoring reports.

In addition, DOH did not have a process in place to monitor subrecipients subject to OMB Circular A-133 to ensure the related audits were completed.

Effect

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

Recommendation

We recommend DOH:

1. Adhere to its existing policies and procedures regarding the on-site monitoring process; and to
2. Develop and implement a process to monitor subrecipients to ensure their OMB Circular A-133 audit reports are submitted timely.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding. While DOH personnel documented on-going communication with subgrantees and followed agency protocols regarding site visits, management evaluations and review of the status and results of subgrantee A133 reports, DOH internal controls did not fully mitigate risks and incidents of lack of follow-up in those instances where deficiencies or non-compliance were documented by a monitor or third-party review. Immediately, DOH will direct resources to training and skill-building on conducting risk assessments and following-up with remediation and corrective actions. Additionally, existing formats and processes will directly address responsible personnel scheduling the receipt, review and follow-up actions related to A-133. Office of Grants Management has identified a uniform A-133 certification template for use with requests for applications, grant agreements and monitoring plans.

The more comprehensive plan continues to be implemented in FY14 and is in its planning phase: the development of an Electronic Grants Management Solution (EGMS) which will create an on-line environment for managing routine oversight and federal grant and subgrant monitoring processes. This plan is committed and will strengthen internal controls, documentation of routine monitoring transaction and increased capacity to monitor compliance.

<i>Finding Number</i>	2013-027
<i>Prior Year Finding Number</i>	2012-05
<i>Federal Program</i>	Unemployment Insurance Program (17.225)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Labor
<i>District Department</i>	Department of Employment Services
<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.

Per paragraph 8.3.1 of the Treasury-State Agreement, “The State shall use the following method to calculate State interest liabilities on funds withdrawn from the several accounts in the Unemployment Trust Fund:

The State shall use the following methodology to calculate State Interest liabilities on funds withdrawn from the several accounts in the UTF under the Unemployment Insurance program.

Based on statements provided by its financial institution, or other appropriate source, the State shall determine the actual interest earnings and the related banking costs attributable to funds withdrawn from its account in the UTF.

At the end of the State’s fiscal year, the State shall calculate the percentage of its total unemployment compensation expenditures for (1) funds withdrawn from the State account in the UTF, or the State %, and (2) funds withdrawn from the Federal Employees Compensation Account (FECA) and the Extended Unemployment Compensation Account (EUCA) and any other accounts of Federal funds in the UTF, or the Federal %.

The State shall calculate the actual interest earnings and the related banking costs attributable to funds withdrawn from the State account in the UTF by multiplying the State % by the amount of the actual interest earnings and the related banking costs of the account as a whole. The States liability for interest on funds withdrawn from its account in the UTF shall consist of the actual interest earnings attributable to such funds less the related banking costs attributed to such funds.

The State shall determine the average daily cash balance of its unemployment compensation benefit payment account for its fiscal year. The State shall calculate the average daily cash balance of Federal funds by multiplying the Federal % by the average daily cash balance of the benefit payment account on the whole. The States liability for interest on funds withdrawn from the FECA and EUCA (and any other benefit accounts of Federal funds in the UTF from which the State draws funds) shall be the average daily cash balance of Federal funds multiplied by the annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during the States fiscal year.”

Condition

During our testwork over the Cash Management compliance requirement, we noted that UI did not perform an interest calculation in accordance with paragraph 8.3.1 in the Treasury-State Agreement. We performed our own calculation in accordance with the Treasury-State Agreement and noted an interest liability due to the Federal Government of \$92.74.

Cause

The Unemployment Insurance program management did not perform the calculation of state interest as indicated in section 8.3.1 as a result of their interpretation of section 8.1 “*general terms*” of the Treasury-State Agreement. Outlined in this section of the Agreement, it is stated that “...No interest liability will be incurred where the following funding techniques are applied” . Included in the list of funding techniques is “Average Clearance” which they interpreted to mean there is no interest calculation because DOES –UI program implemented the average clearance , an interest-neutral funding technique on funds drawn from the state account in the UTF.

Effect

The Unemployment Insurance program understated the interest due to the United States Treasury by \$92.74 as a result of not calculating the interest liability in accordance with paragraph 8.3.1 of the Treasury-State Agreement.

Recommendation

We recommend that the Unemployment Insurance program improve their internal controls over the TSA including clarifying their understanding of the agreement and its requirements with the Department of Treasury to ensure they are complying with all relevant sections of the TSA.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management does not agree with this finding. The District’s interpretation of the Treasury State Agreement is sound, there is no state interest liability on funds withdrawn from the various accounts in the Unemployment Trust Fund (UTF) because the DOES Unemployment Insurance Program has properly followed the average clearance, an interest-neutral funding technique and in compliance with TSA stipulated funding technique.

According to 31CFR 205.13, state or federal interest liability may or may not accrue when mutually agreed to funding techniques are applied, depending on the terms of the TSA. Further, Subsection 8.1 “*general terms*” of the TSA state that “...no interest liability will be incurred where the following techniques are applied.” Included in the list of funding technique is the average clearance with zero days of average day clearance for the Unemployment Trust Fund-State Benefit Account-17.225S.

Management believes that there are adequate internal controls in place that ensures compliance with the TSA for UI programs. Management ensures compliance with OMB and the Department of Labor UI mandated reporting requirements, that on a monthly basis reports of all financial activities for all bank accounts specific to the unemployment insurance Fund (17.225S) are prepared, reviewed and submitted to DOL timely; and monthly CMIA information is provided to the District Office of finance and Treasury for applicable 17.2255 programs.

The UI program's calculation of the State's liability for interest as per section 8.3.1 of the TSA Agreement in the event of non-compliance would have been \$90.99.

The UI program and the District Office of Finance and Treasury will work with the US Department of Treasury in order to clarify and establish a common understanding; and address any ambiguity in the language in the TSA to specifically indicate both federal and state funds are interest neutral if agreed upon funding techniques are properly followed.

KPMG Response

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

<i>Finding Number</i>	2013-028
<i>Prior Year Finding Number</i>	2012-49
<i>Federal Program</i>	Unemployment Insurance Program (17.225)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Labor
<i>District Department</i>	Department of Employment Services
<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.

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

We noted the following conditions during our testwork over the reporting compliance requirement:

During our testwork over the 2nd quarter ETA 191 *Financial Status of UCFE/UCX (OMB No. 1205-0162)* report, we noted:

- The report reflected that agency 410 had expenditures of \$16,403. However, based on the supporting documentation provided, the expenditures reported should have been \$58,886, thus, understating the amount reported for the 2nd quarter by \$42,483.
- Based on the supporting documentation provided, agency 421 had expenditures of \$16,403 during the 2nd quarter. However, agency 421 was not included in the report, thus understating 2nd quarter expenditures in the report by \$16,403.

Management subsequently corrected the errors and resubmitted a corrected report for the quarter ended March, 31, 2014 in April of 2014, which was outside of the year under audit.

During our testwork over the 2nd and 4th quarter 581, *Contribution Operations (OMB No. 1205-0178)* reports, we noted Unemployment Insurance (UI) management was unable to provide us supporting documentation for the information submitted in the reports. UI management utilizes a system report from the District Unemployment Tax Accounting System (DUTAS) to create the ETA 581 report, however, we were unable to test the completeness and accuracy of the system reports.

Cause

Adequate supporting documentation was not maintained and a thorough review was not performed on the financial reports to ensure that the reports submitted to the Department of Labor were complete and

accurate. These deficiencies represent a deficiency in internal controls over compliance with reporting requirements related to the Unemployment Insurance Program.

Effect

Without maintaining adequate supporting documentation and performing thorough reviews over the information reported, the District did not comply with the reporting requirements for the Unemployment Insurance program and there is an increased risk that amounts reported to the Department of Labor are not correct.

Recommendation

We recommend that Unemployment Insurance management implement policies, procedures and controls requiring a proper review of the reports, including the maintenance of appropriate support, before submitting the reports to ensure completeness and accuracy of the data.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Upon discovery of the keypunch errors for the unemployment insurance benefit charges for federal accounts 410 and 421, DOES corrected the line item charges for said accounts on the ETA-191 report for the quarter ending March 31, 2013. The corrections were made in the quarter the key punch errors were discovered. DOES furnished a copy of the updated report which showed the adjusted charges for the affected accounts. The adjustments are reflected in Sections A and B of the ETA-191 report. The agency was billed properly and the keypunch error was limited in scope to the DOES report to USDOL. These adjustments were made in accordance with the ETA-401 Handbook, and with the guidance of USDOL. In an effort to ensure that adequate controls were in place for the correct recording of federal charges, DOES Quality Assurance staff created an IT ticket on April 14, 2014 and requested that a text file of the quarterly federal charges be generated that could be uploaded into the federal reporting system to eliminate the need to key punch the data.

For condition #2, DOES contract and program staff disclosed to KPMG how each cell in the ETA-581 was calculated. Further, Northrup Grumman provided the supporting documentation for each cell requested by KPMG. KPMG did not accept the controls in place to produce the data used in the report, which is in accordance with ETA-401 Handbook.

DOES accepts the recommendation and acknowledges that policies, procedures, and controls are in place to review the tax data prior to it being submitted to USDOL. In addition to the required UI reports, DOES creates monthly, quarterly and annual and ad hoc reports for management review. These reports are reviewed to trend tax data and to identify and research anomalies. USDOL also tracks the reported data and assists DOES in indentifying and researching reported data that falls outside the normal reporting range. We are confident that adequate controls are in place to ensure the integrity of our tax data.

KPMG Response

KPMG has reviewed management's response and the finding remains as indicated.

<i>Finding Number</i>	2013-029
<i>Prior Year Finding Number</i>	2012-50
<i>Federal Program</i>	Highway Planning and Construction (20.205)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Transportation/Federal Highway Administration
<i>District Department</i>	District Department of Transportation
<i>Compliance Requirement</i>	Davis-Bacon Act
<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 40 U.S.C. 3141, the Davis-Bacon and Related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act and Related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine such locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors performing work on federal or District of Columbia contracts. The Davis-Bacon Act prevailing wage provisions apply to the "Related Acts," under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance.

Additionally, 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. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request 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 them to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency), the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements".

"Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

- (1) That the payroll for the payroll period contains the information required to be provided under § 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under § 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete".

Department of Labor, FAQ, 29 CFR 5.5(a)(3)

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;*
- j) 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.*

DDOT Davis-Bacon Compliance Division Policy

- *Per DDOT policy (page 10) "A certified copy of each payroll for the prime contractor and each subcontractor, together with a completed and signed copy of the accompanying Statement of Compliance (Form No. DC 2640-11) must be mailed or delivered to the Contract Compliance Division within seven (7) days after the regular payment date of the payroll period".*
- *Per DDOT policy (page 15) "Every Statement of Compliance should be reviewed for compliance with Davis-Bacon Act and Copeland "Anti-kickback" Act requirements".*
- *Per DDOT policy (page 16) "The Compliance Manager is responsible for ensuring that the Department is in compliance with the regulations regarding receipt of and review of Statements of Compliance related to certified payrolls".*
- *Per DDOT policy (page 16) "If non-compliance [with Item 4.3] is observed, Wage Specialists should send a letter to both the Prime and Sub Contractor, if applicable, notifying them of the deficiency in the certified payroll submission. A revised payroll and accompanied by a compliant Statement of Compliance should be obtained from the Prime within 30 days".*
- *Per DDOT policy (page 10 of desk guide) "As the contracting agency, DDOT has **primary responsibility for the enforcement of construction labor standards** for the contracts, financial assistance, and other agreements it awards. The person designated as the contracting officer, as defined in 29 CFR 5.2, is responsible for ensuring that contractors and subcontractors submit*

timely certified payrolls consistent with the contract terms, and for monitoring labor standards compliance by reviewing pay records and conducting worker interviews".

- *Per 29 CFR 5.2, the term Contracting Officer means the individual, a duly appointed successor, or authorized representative who is designated and authorized to enter into contracts on behalf of the Federal agency.*
- *Per DDOT policy (page 30 of desk guide) "The **due date** for each certified payroll to be submitted to DDOT, as the contracting agency, is **no later than one week after each weekly pay date**.*

Condition

During our testwork over compliance with the Davis-Bacon Act, we noted that DDOT was not consistently adhering to their policies and procedures, nor were they in full compliance with the compliance requirement which requires ensuring that contractors are in compliance with the Davis-Bacon Act and that certified payrolls are timely reviewed by DDOT. Specifically we noted the following:

- For 25 of the 65 certified payrolls tested, we noted that the certified payrolls or Statement of Compliance for no work performed was received by DDOT more than 15 days **after** the scheduled payroll week ending date **and** written follow-up was not provided or not provided timely (within 30 days) by DDOT to the contractor indicating that the certified payroll or Statement of Compliance for no work performed was not received by the due date. The following table reflects a breakdown of when the certified payrolls were received:

Certified Payroll Received	Total
15 - 29 days	19
30 - 44 days	2
45 - 59 days	2
60 - 89 days	0
>89 days	4

Further, KPMG notes DDOT had the same finding in FY 2012 and established an improved control environment in response to that finding. DDOT only incurred 2 of the 27 above exceptions subsequent to being informed of the prior year finding and implementing their improved process. For those two exceptions, no non-compliance was noted as they were for contracts with no work performed during the period tested. In both cases, the original contract expired and the DDOT Davis-Bacon wage specialists were unaware the project had been reopened until a later date. Upon learning of the project reopening, the wage specialist then followed up with the contractor and received the requisite certified payroll submissions. However, there was still a delay in receiving the payroll and follow-up with the contractor was not provided timely (within 15 days resulting in a control deficiency).

- For 11 of the 65 certified payrolls tested, we noted the certified payroll or Statement of Compliance for no work performed was not reviewed by program personnel timely (within 30 days).

- For 2 of the 65 certified payrolls tested, management indicated the original submission of certified payroll by the contractor was on time but submitted incorrectly. However, as the share point site the support was stored on was deleted, the original support indicating the timeliness of the submission was unable to be provided. As the support cannot be provided to support management's assertion, we were unable to corroborate this and noted it as an exception.

Cause

Prior to being notified of the prior year findings, DDOT did not adhere to their existing policies and procedures established to ensure that the contract specialist monitor contractor compliance with the Davis-Bacon Act.

Effect

Without adequate internal controls to ensure compliance with the Davis-Bacon Act compliance requirements there is an increased risk that, if a contractor is not paying their employees the prevailing wages established by the Department of Labor (DOL), it will not be detected timely for administering agencies to be able to collect restitution or report suspended contractors to DOL.

Recommendation

We recommend that the DDOT continue to effectively manage and perform their internal controls to ensure certified payrolls are properly monitored in compliance with Davis-Bacon Act requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DDOT agrees with the recommendation. The Davis Bacon unit was established 2 years ago, and has taken positive, incremental steps to help ensure compliance with Davis Bacon. DDOT is proud of its work, and we will continue to effectively manage the program as required by the District of Columbia and the Federal Highway Administration (FHWA).

With regard to FHWA, DDOT notes that in 2013 a Davis Bacon Process Review was conducted and the final report was provided as of April 16, 2014, which reported the following -

"DDOT is currently implementing the following successful practices. These practices are organized by the issue they work towards correcting.

- Enforcement of the Davis Bacon and Related Acts: DDOT has responded to the FY 2011 Single Audit by creating the Davis Bacon Compliance Division (DBCD). The division conducts wage interviews, reviews certified payrolls, and ensures contractor compliance.
- Continuous Wage Interviews: DDOT routinely visits construction sites to conduct wage interviews with prime and sub-contractors. Multiple visits are made throughout the life of the project.

- Timely Certified Payroll Review: DDOT continuously monitors incoming payrolls to ensure accuracy. This includes the accurate calculation of overtime and fringe benefits. If a payroll is late then the DBCD informs the contractor they are in non-compliance and enforces penalties. (Appendix H)
- Restitution Sought: If an employee is found to have an incorrect wage rate then the DBCD ensures that proper payment is received.
- Documentation: DDOT has documented and follows its policies regarding the DBCD, including but not limited to SOPs (Appendix G), training, wage interviews, and certified payroll review and tracking. (Appendix I)

In the specific instances that are described DDOT notes the following:

- 27 of 65 certified payrolls requested for testing were for weeks in which No Work was performed.
 - DBRA payroll submission requirements are specifically for weeks in which work is actually performed. As such, there is no follow-up requirement mandated by Federal guidelines. However, DDOT will continue to hold the contractor accountable with the enforcement of non-compliance notices, withholding of payments and/or reporting of continued non-compliance to the U.S. DOL for legal prosecution and/or debarment.
- KPMG noted 11 of 65 certified payrolls tested were not followed up on timely for review.
 - DDOT takes exception to KPMG's criteria for timely follow up and review as it is not supported by federal regulations. Follow-up for weeks in which work was performed, occurred in accordance with the agency's policy as evidenced by 100% collection of certified payrolls for all contracts in which DBRA was applicable. However, DDOT will continue to review all certified payrolls as the average review time since May 2013 has significantly improved with most reviews being done within 3 days after receipt.
- KPMG noted 2 of the 65 certified payrolls tested were resubmissions and they were unable to corroborate the support that DDOT provided indicating the inadvertent deletion of the SharePoint site, in which the incorrectly submitted payrolls were maintained as the original support was returned to the contractor for correction.
 - DDOT notes that all relevant supporting emails from the Wage Specialist, the contractor, the Office of Information Technology and the Davis Bacon Manager which specifically detailed the correspondence in which DDOT indicated that the certified payrolls were reviewed and deemed incorrect indicating that corrections needed to be made, were provided to KPMG to corroborate the exception. In addition, the contractor had to make a programming correction by their controller, which delayed the remittance of the corrected certified payrolls.
- Lastly, while DDOT agrees to the recommendation to continue to effectively monitor internal controls, DDOT notes the following with regards to KPMG's cause and effect -
 - DDOT fully complied with its existing policies and procedures and effectively monitored 100% of the contracts subject to DBRA; effectively minimizing risk that the agency failed to identify instances in which contractors did not pay prevailing wages.

<i>Finding Number</i>	2013-030
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Highway Planning and Construction (20.205)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Transportation/Federal Highway Administration
<i>District Department</i>	District Department of Transportation (DDOT)
<i>Compliance Requirement</i>	Procurement, 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.

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.

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 Procurement, Suspension, and Debarment, we noted that DDOT was not consistently adhering to their policies and procedures, nor were they in full compliance with the compliance requirement which requires ensuring that contractors are in compliance with the Section 1605 of ARRA and that all iron, steel and manufactured goods used in ARRA funded projects are produced in the United States. Specifically we noted the following:

- Four of the 25 procurement selections were related to projects funded by ARRA. In these 4 samples that we selected for testing, the DDOT was unable to provide us with documentation to support that it was monitoring compliance with this requirement.

Cause

Although DDOT has standard language related to the specific requirement of Section 1605 in their contracts, they do not have polices 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.

Recommendation

We recommend that DDOT 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.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DDOT accepts and acknowledges the legitimacy of the findings noted above. However, DDOT does not deem the implementation of policies for monitoring and maintaining documentation specific to Section 1605 of ARRA to be practicable at this juncture, given the majority of the agency's contracts funded by ARRA dollars have either ended or reached the point of substantial completion.

DDOT will develop contract language requiring Contractors to provide a quarterly report demonstrating the material provided complies with the Buy America Provisions, when applicable, in its future procurements.

<i>Finding Number</i>	2013-031
<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>	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.

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. According to 31 CFR 215.22 (a), payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients.

Condition

During our testwork performed over the cash drawdowns which totaled \$41,738,120 for the Student Financial Assistance (SFA) cluster, we noted the following:

- The Federal direct loans cash drawdowns per the Common Origination and Disbursement (COD) system, the Federal government’s reimbursement system, exceeded the amount of expenditures within BANNER, the University of the District of Columbia’s (University) financial information system. This resulted in the University overdrawing cash in the amount \$31,310 for Federal direct loan awards.
- The Pell grant cash drawdowns per the COD, exceeded the amount of expenditures within BANNER. This resulted in the University overdrawing cash in the amount of \$56,098 for the Pell grant awards.

Cause

The University does not have adequate policies, procedures and controls in place over the cash management process.

Effect

The University is not in compliance with the SFA cluster cash management compliance requirements.

Recommendation

We recommend the University strengthen its internal controls to ensure compliance with applicable cash management requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Financial Aid office of the University has implemented a policy of reviewing the student accounts for the Federal Direct Loans and reconciling those balances to COD, once that reconciliation is complete any necessary adjustments will be made to the students account. Once the accounts are adjusted Financial Aid will forward the reconciliation to the University Finance office for review and acceptance. The Universities Financial Office will tie the reconciliation with the ledger balances in BANNER. Only after both ledgers are reconciled will any drawdown be executed.

The University will use the same procedure for Pell Grants.

<i>Finding Number</i>	2013-032
<i>Prior Year Finding Number</i>	2012-57
<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 (i.e., audited management) 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

The University of the District of Columbia (University) disbursed \$41,462,288 in student financial assistance in fiscal year 2013. During our testwork over the ‘Verification’ Special Test & Provisions, we noted the following:

- There was no evidence supporting management’s assertion that verifications were reviewed by University personnel, other than the preparer, throughout fiscal year 2013.
- For 65 students who received \$551,559 in student financial assistance and were “verified” by the University, we noted:
 - For 2 students who received \$16,851 of 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 Institutional Student Information Record (ISIR).
 - For 1 student who received \$15,751 of student financial assistance, the student’s education credit per the tax return did not match the information reported on the ISIR.

Cause

The University does not have adequate controls in place over the required verification of student financial assistance applications.

Effect

The University does not comply with the verification of student application requirements of the Student Financial Assistance cluster.

Recommendation

We recommend the University establish controls, policies and procedures that ensure compliance with the requirements of the Student Financial Assistance cluster. These procedures should include: (1) ensuring there is evidence of review of verifications, and; (2) data corrections are submitted to the central processor.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$32,602. Total questioned costs represents \$16,851+\$15,751.

Views of Responsible Officials

The University of the District of Columbia agrees to the findings and will recalculate the verified files in error to assess financial liability of the questionable costs. Beginning the 2013-14 AY, the Financial Aid Office's Corrective Action Plan will be to increase secondary review of verifications to ensure accuracy and confirm an updated ISIR has been processed that list the correction(s).

<i>Finding Number</i>	2013-033
<i>Prior Year Finding Number</i>	2012-59
<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 \$29,845,352 in Federal direct loans in fiscal year 2013. During our testwork over the ‘Enrollment Reporting’ Special Test & Provisions, we noted the following for 65 students tested who received \$178,587 in Federal direct loans from the University,

- For 36 students who received \$88,722 in Federal direct loans, the lenders were not notified within 30 days of the student’s status change, as required.

- For 7 students who received \$8,317 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 4 students who received \$2,723 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.

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 program. These include ensuring: (1) proper supporting documentation is maintained, and; (2) student withdrawals are reported to the NSLDS and lenders in a timely manner.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$91,445

Total questioned costs equals \$88,722 + \$2,723. The \$8,317 is not included because these exceptions were included in the \$88,722 in the first exception.

Views of Responsible Officials

The University of the District of Columbia will perform a secondary review of official withdrawal forms and entered system dates to ensure they match what is reported to NSLDS. After each Enrollment Reporting submission, the Banner Functional Specialist and the Management Assistant will perform a secondary review to ensure all enrollment records are accurately updated in NSLDS within 30 days of a student's status change.

<i>Finding Number</i>	2013-034
<i>Prior Year Finding Number</i>	2012-58
<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 – Return of Title IV Funds
<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.

34 CFR § 668.22 Treatment of title IV funds when a student withdraws. (a) General. (1) When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student’s withdrawal date in accordance with paragraph (e) of this section.

34 CFR § 668. Refund reserve standards. b) Timely return of title IV, HEA program funds. In accordance with procedures established by the Secretary or FFEL Program lender, an institution returns unearned title IV, HEA program funds timely if - (1) The institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 45 days after the date it determines that the student withdrew; (2) The institution initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew; (3) The institution initiates an electronic transaction, no later than 45 days after the date it determines that the student withdrew, that informs a FFEL lender to adjust the borrower's loan account for the amount returned; or (4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. An institution does not satisfy this requirement if - (i) The institution's records show that the check was issued more than 45 days after the date the institution determined that the student withdrew; or (ii) The date on the cancelled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

Condition

The University disbursed \$41,462,288 in student financial assistance in fiscal year 2013. We selected 65 students who received a total of \$277,552 in student financial assistance in fiscal year 2013. We noted the following:

- For 7 students who received \$22,244 in student financial assistance, the withdrawal date per the signed withdrawal form did not agree with the withdrawal date input in BANNER, causing the attendance percentage and the University’s return calculation to be incorrect. This resulted in an underpayment of \$381 for 4 students, an overpayment of \$48 for one student and no financial impact for 2 students.

- For 2 students who received \$5,848 in student financial assistance, the percentage enrollment per the University's calculation was incorrect. This resulted in an underpayment of \$866 and an overpayment of \$31, respectively.
- For 1 student who received \$694 in student financial assistance, no funds were returned when the student was enrolled in less than 60% of the semester and funds were required to be returned. \$407 should have been returned to the Federal government.
- For 10 students who received \$26,318 in student financial assistance, the University's return calculation differed from the return per the Common Origination and Disbursement system (COD) detail, resulting in an overpayment of \$208
- For 6 students, who received \$16,729 in student financial assistance, the University's return calculation did not agree to the amount returned per the COD system detail, resulting in a \$1,248 underpayment.
- For 1 student who received \$5,003 in student financial assistance, \$2,775 was returned to COD. As the student was enrolled for more than 60% of the semester, they were ineligible to receive a refund.
- For 5 students who received \$10,385 in student financial assistance, the refund was not made within 45 days.

Cause

The University does not have controls, policies and procedures in place to ensure compliance with the Special Tests and Provisions-Return of Title IV funds requirements of the student financial assistance cluster.

Effect

The University is not in compliance with the student financial assistance cluster Special Tests and Provision-Return of Title IV funds requirements.

Recommendation

We recommend that the University establish controls, policies and procedures that support adherence to the requirements of the student financial assistance cluster.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$1,655

We independently re-calculated the over/under payment of the return amount and noted six instances resulted in an under payment of the return in the amount of \$1,655. Additionally, we noted nine instances

resulted in overpayments totaling \$197; however, as the University returned more than required, the overpayments were not deemed to be a part of the total questioned costs.

Total Questioned Cost = \$1,248 + 407

We noted the \$381 and \$866 above were not included because they were included in the \$1,248 calculation.

Views of Responsible Officials

The University will establish controls, policies and procedures that support adherence to the requirements of the student financial assistance cluster. The Financial Aid Office has updated its R2T4 policies, procedures and controls to ensure the correct withdrawal dates are recorded in Banner and interest rates calculated. In addition, UDC has ensured the correct spring break days are listed (eight) when calculating spring R2T4's. All Return of Title IV Refunds will be completely processed within the required 45 day limit.

<i>Finding Number</i>	2013-035
<i>Prior Year Finding Number</i>	2012-61
<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 \$41,462,288 in student financial assistance in fiscal year 2013. During our testwork over the ‘Disbursements To or On Behalf of Students’ Special Test & Provision, we selected 65 students who received a total of \$767,137 in student financial assistance from the University and noted the following:

- For 3 students who received \$42,790 in student financial assistance, the estimated family contribution (EFC) per BANNER did not match the EFC per the institutional student information record (ISIR). This resulted in an over-award in the amount of \$1,862.
- For all 65 students selected, there was insufficient documentation to support the date each student received a disbursement notification with the required information (The date and amount of the disbursement, the student’s and/or parent’s right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and the procedure and time by which the student or parent must notify the institution if he or she wishes to cancel the loan).

- For 5 students who received \$61,175 in student financial assistance, the Pell disbursement date per the University's records did not agree to the disbursement date per the COD system.
- For 1 student who received \$8,689 in student financial assistance, the subsidized and unsubsidized Federal direct loan disbursement dates and amounts per the University's records did not agree to COD. We noted the disbursement in the amount of \$6,937 was not properly transmitted to COD.

Cause

Management does not have sufficient controls, policies and procedures to ensure compliance with all applicable Special Tests and Provisions - Disbursements To or On Behalf of Students requirements.

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 compliance with the requirements of the Student Financial Assistance cluster.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$1,862

Views of Responsible Officials

The University will establish controls, policies and procedures that ensure compliance with the requirements of the Student Financial Assistance cluster. The Financial Aid Office is updating Banner system rules, parameters and controls to ensure students have matching disbursement dates, timely and correctly transmitted to COD. The University and Financial Aid Office will work with the Banner vendor, Ellucian and I.T. to ensure Banner controls are compliant for disbursement notification processes.

<i>Finding Number</i>	2013-036
<i>Prior Year Finding Number</i>	2012-56
<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 \$41,462,288 in student financial assistance in fiscal year 2013. 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, 2012 through June 30, 2013*, we noted the following:
 - No support was provided for Line 2 Section B. Unsupported balance of \$13,908.
 - No support was provided for Line 7 Section B. Unsupported balance of \$45,295.
- Part V *Federal Work-Study (FWS) Program for Award Year July 1, 2012 through June 30, 2013*, we noted the following:
 - No support was provided for Line 7 Section B, resulting in an unsupported balance of \$14,500
 - No support was provided for Line 12 Section C, resulting in an unsupported balance of \$214,154.
 - No support was provided for Line 14 Section D, resulting in an unsupported balance of \$214,154.
- Line 10 on Part III *Federal Perkins Loan Program for Award Year July 1, 2011 through June 30, 2012* Section A column (d) did not agree with the support provided by \$19.

Additionally, we selected 65 students who received a total of \$239,086 in Pell awards in fiscal year 2013 in order to test the payment submission reporting requirements for the Common Origination and Disbursement (COD) system. During our test-work over Pell award reporting we noted the following:

- For 2 students who received \$6,244 in Pell awards, the disbursement was not transmitted to the COD system within the 30 day requirement.
- For 4 students who received \$15,058 in Pell awards, the University's records show the student was awarded through two separate disbursements. However, support could not be provided to show both disbursement dates.
- For 1 student who received \$2,082 in Pell awards, support could not be provided to show the transmission of the disbursement to COD.
- For 4 students who received \$17,250 in Pell awards, the Estimated Family Contribution (EFC) per the students' Institutional Student Information Record (ISIR) did not match the EFC per COD.

Cause

The University does not develop sufficient controls, policies and procedures in place to ensure compliance with all applicable SFA cluster reporting requirements.

Effect

The University is not in compliance with all student financial assistance cluster reporting requirements.

Recommendation

We recommend the University implement policies, procedures and controls 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

The University will implement policies, procedures and controls to ensure the University is in compliance with the reporting requirements of the student financial assistance cluster.

The Financial Aid Office will update its COD reconciliation procedures to ensure all disbursements are correctly documented and transmitted within 30 days. The office will also perform Banner ISIR matches to ensure the EFC on the ISIR matches what is reported in COD.

The Financial Aid Office will also work with the Finance Office to ensure FISAP numbers for FWS, FSEOG and Perkins demonstrate academic year transfers and carry-forwards supported with general ledger reports.

<i>Finding Number</i>	2013-037
<i>Prior Year Finding Number</i>	2012-54
<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 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 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 \$41,462,288 in student financial assistance in fiscal year 2013. We selected 65 students who received \$767,137 in student financial assistance and noted:

- For 8 students who received \$81,499 in student financial assistance, the high school transcript could not be provided.
- For 1 student who received \$9,698 in student financial assistance, the student was not within the subsidized loan limit for a first year dependent undergraduate; this student was also not within the total FDL limit for a first year dependent undergraduate. The student was over both limits by a combined \$1,000. The federal financial assistance disbursed in excess of the federal limit is considered an unallowable cost.
- For 2 students who received \$9,849 in student financial assistance, the student did not maintain a satisfactory academic progress and should have been suspended from receiving federal aid for failing to meet the 67% cumulative course completion requirement. The federal financial assistance disbursed for these students is considered an unallowable cost resulting in question costs of \$6,187.
- For 16 students who received \$225,982 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 7 students who received \$98,616 in student financial assistance, support could not be provided to confirm the student's in-state residency status. Therefore, the student's cost of attendance was recalculated based on an out-of-state status. However, 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 and allowability requirements.

Effect

The University is not able to demonstrate compliance with the Eligibility and Activities Allowed or Unallowed and Allowable Costs requirements of the Student Financial Assistance cluster.

Recommendation

We recommend the University establish 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 aid and, (2) appropriate documentation is maintained by University personnel.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$88,686 (\$1,000 + 6,187 + 81,499)

Views of Responsible Officials

The University will establish 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 aid and, (2) appropriate documentation is maintained by University personnel.

The Financial Aid Office is updating Banner system rules and controls to ensure students are not inadvertently listed at a higher grade level prior to disbursement. In addition, the office updated the Banner Satisfactory Academic Progress rules to identify students not meeting GPA and 67% cumulative course completion requirements prior to maximum timeframe. The Office is generating a report to identify aid recipients placed on max timeframe warning that may be a 67% course measurement suspension to rectify all students. Finally, the Financial Aid Office is updating Banner system rules, parameters and controls to ensure students are not inadvertently listed with an incorrect Cost of Attendance prior to disbursement.

<i>Finding Number</i>	2013-038
<i>Prior Year Finding Number</i>	2012-60
<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 – Borrower Data Transmission and Reconciliation (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.

Per 34 CFR sections 685.102(b), 685.301, and 303. Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (*OMB No. 1845- 0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution’s financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month.

Condition

The University disbursed \$29,845,352 in direct student loan financial assistance in fiscal year 2013. We tested 65 students who received a total of \$480,533 in loan disbursements in fiscal year 2013 and noted:

- For the 3 School Account Statement (SAS) Reconciliations tested, no evidence could be provided to show the reconciliations were reviewed by University personnel, other than the preparer.
- For the November 2012 reconciliation, there was a difference between the SAS file and BANNER which could not be reconciled in the amount of \$124.
- For the January 2013 reconciliation, there was a difference between the SAS file and BANNER which could not be reconciled in the amount of \$6,340.
- For 1 student who received \$6,189 in loan disbursements, the disbursement was not transmitted to Direct Loan Servicing System (DLSS).

Cause

The University does not have adequate controls in place to ensure compliance with the Special Tests and Provisions-Borrower Data Transmission and Reconciliation (Direct Loan) requirements of the student financial assistance cluster.

Effect

The University is not in compliance with the Special Tests and Provisions-Borrower Data Transmission and Reconciliation (Direct Loan) requirements of the student financial assistance cluster.

Recommendation

We recommend that the University establish controls, policies and procedures to ensure compliance with the requirements of the student financial assistance program. These should include: (1) ensuring reconciliations between the student account statement (SAS) report and the general ledger are performed, reviewed and maintained, and; (2) disbursement data is transmitted in a timely manner.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$12,653 (\$124 + 6,340 + 6,189)

Views of Responsible Officials

The University did reconcile both the Federal Pell Grant and Federal Direct Loan Programs by fiscal year close. Although the month's tested in question had outstanding reconciliations, the end of year totals balanced. The University believes there are no questionable cost in this instance.

The University will establish controls, policies and procedures to ensure compliance with the requirements of the student financial assistance program. These should include: (1) ensuring monthly reconciliations between the student account statement (SAS) report and the general ledger are performed, reviewed and maintained, and; (2) disbursement data is transmitted in a timely manner. The Financial Aid Banner Data Specialist will prepare a Reconciliation Report detailing students and amounts not reconciled and the reason and resolution for the discrepancy. The Director or Associate Financial Aid Director will perform a secondary review of all monthly reconciliations to ensure differences are accounted for and reconciled.

<i>Finding Number</i>	2013-039
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010)
<i>Federal Award Number</i>	S010A120051 (7/1/2012 – 9/30/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Matching, Level of Effort, and Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

34 CFR Section 200.100 states the following:

(1) An SEA may reserve for State administrative activities authorized in sections 1004 and 1903 of the ESEA no more than the greater of—

- (i) One percent from each of the amounts allocated to the State or Outlying Area under section 1002(a), (c), and (d) of the ESEA; or
- (ii) \$400,000 (\$50,000 for the Outlying Areas)

34 CFR Section 200.100 further states:

“ (3) If the sum of the amounts allocated to all the States under section 1002(a), (c), and (d) of the ESEA is greater than \$14,000,000,000, an SEA may not reserve more than one percent of the amount the State would receive if \$14,000,000,000 had been allocated among the States under section 1002(a), (c), and (d) of the ESEA.

(4) An SEA may use the funds it has reserved under paragraph (b) of this section to perform general administrative activities necessary to carry out, at the State level, any of the programs authorized under Title I, parts A, C, and D of the ESEA.”

Condition

For grant award number S010A120051, the Office of the State Superintendent of Education (OSSE) reserved \$559,413 for State administrative activities, which exceed the allowable amount of \$470,531.

Cause

In the calculation of its State-level reservations, OSSE included an additional reservation for State administrative costs related to School Improvement activities under Section 1116 of ESEA. However, management did not reserve funds for School Improvement activities for grant award S010A120051. As such, OSSE should not have reserved an additional amount for State administration related to these activities. Furthermore, management review of the allocation calculations did not detect and correct the error.

Effect

OSSE was not in compliance with the earmarking requirements in 34 CFR Section 200.

Recommendation

We recommend that management strengthen its internal controls over calculation of earmarking requirements to ensure that the correct amounts are reserved for State administrative activities. Specifically, management should review the allocations at a sufficient level of detail in order to detect and correct inaccuracies in the calculations prior to providing grant awards to local education agencies.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

OSSE concurs with the audit finding. The 1003a administration set-aside was intended for the School Improvement Grant program. Due to sequestration and reevaluation of the award reduction, OSSE determined that it could not move forward with the allocation for the School Improvement Grant program. However, in the funds reallocation process, the administration set-aside portion for the School Improvement program was not reallocated back to the LEAs. OSSE has since strengthened its allocations review process whereby the program leadership(s) will review all allocation set-asides for accuracy and correctness. OSSE has provided a copy of its policies and procedures addressing the NFR to prevent a recurrence.

<i>Finding Number</i>	2013-040
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010) Improving Teacher Quality (84.367)
<i>Grant Award # and Year</i>	S010A120051 (7/1/2012 – 9/30/2013) S367A120008 (7/1/2012 – 9/30/2013)
<i>Federal Agency</i>	Department of Education
<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 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.

Per the OSSE Monitoring Policy, Section V:

As soon as possible, but no later than 60 days from the desktop review, the OSSE review team will send written correspondence to the subrecipient. The correspondence will provide an overview of any findings, recommendations and plans for onsite monitoring, if applicable. In addition, the OSSE program office will be available to provide targeted technical assistance.

At a minimum, the monitoring process for sub-recipients of local and federal grant awards will follow a 3-year cycle whereby each sub-recipient will be monitored onsite at least once every 3 years. Each program will publicly distribute the list of which sub-recipients will be monitored in which of the three years of the monitoring cycle. However, depending upon the grant program, more frequent monitoring may be required. If this is the case, each sub-recipient will be notified by the OSSE grant manager of the specific guidelines associated with that grant.

Condition

We selected a sample of ten Local Education Agencies (LEAs or subrecipients) that received subgrants of Title I and Title II funds during FY 2013 for testing to determine if OSSE was properly monitoring subrecipients. Based on our testing, we noted that internal controls were not operating effectively to provide reasonable assurance that subrecipients complied with applicable Federal requirements and that performance goals were achieved. Specifically, we noted that OSSE did not conduct on-site monitoring visits during the current three-year cycle for two of the ten LEAs selected for testing.

In addition, we noted that OSSE conducted on-site monitoring visits during the three-year cycle for the remaining eight LEAs, two of which were performed during fiscal year 2013. However, we selected the two on-site monitoring visits performed during fiscal year 2013 for testing and noted that the results were not submitted to the LEA timely.

Cause

OSSE communicated to us that conditions noted above were caused by staff turnover.

Effect

Without adequate internal controls over subrecipient monitoring, subrecipients could be non-compliant with applicable Federal requirements and not be detected by OSSE.

Recommendations

We recommend that management strengthen its internal controls over subrecipient monitoring to ensure that OSSE performs on-site monitoring visits and communicates the results of those visits to the subrecipients in a timely manner.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

OSSE concurs with the finding. During the reorganization of the Division of Elementary and Secondary Education resulting, in part, from staff turnover, the monitoring policy and procedures were being reviewed to focus and realign resources of the monitoring team to a more efficient process of targeting the on-site monitoring to High Risk LEAs, Desk-top monitoring was focused on other selected LEAs, including the two LEAs in question. On-site monitoring and reporting process have since been reviewed and strengthened to ensure timely report issuance.

<i>Finding Number</i>	2013-041
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010)
<i>Federal Award Number</i>	S010A120051 (7/1/2012 – 9/30/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

Section 1113 of the Elementary and Secondary Education Act (ESEA) states:

(c) ALLOCATIONS-

(1) IN GENERAL- A local educational agency shall allocate funds received under this part to eligible school attendance areas or eligible schools, identified under subsections (a) and (b), in rank order, on the basis of the total number of children from low-income families in each area or school.

Condition

For the federal fiscal year (FFY) 2012 grant award, OSSE allocated \$46,428,485 to Local Education Agencies (LEAs). However, OSSE improperly allocated funds to LEAs based on the school or area's total enrollment rather than the number children enrolled from low-income families.

Cause

A formula error in OSSE's allocation spreadsheet caused the calculation to be linked to the wrong data, which was not detected during management's review of the spreadsheet.

Effect

The formula error did not impact the total dollar amount allocated to the LEAs; however, certain individual allocations to LEAs were incorrect by amounts ranging from \$(327,255) to \$118,047. As such, OSSE was non-compliant with eligibility requirements in Section 1113 of ESEA.

Recommendation

We recommend that OSSE management correct the formula errors in the allocation spreadsheet to ensure the calculations are linked to the correct data, and enhance management's review of the spreadsheet to include reviewing the underlying formulas for accuracy.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

OSSE concurs with the finding that the allocation was calculated using a formula that was similar in character and kind to another aspect (column) of the same grant. Upon discovery, the correct formula application to the grant was used. Any LEA that was disadvantaged due to this oversight is being made whole. Affected LEAs allocations were 1% or less. OSSE has strengthened its allocation review process whereby the program leadership(s) will review all allocations, formulas and data points for accuracy and correctness. We have provided KPMG the reconciled allocations and allocation policy.

<i>Finding Number</i>	2013-042
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010) Improving Teacher Quality (84.367)
<i>Federal Award Number</i>	S010A120051 (7/1/2012 – 9/30/2013) S367A120008 (7/1/2012 – 9/30/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Special Tests and Provisions – Schoolwide Programs
<i>Finding Related to ARRA</i>	No

Criteria

34 CFR 200.28 states the following:

(c) *Parental involvement.*

(1) A schoolwide program must involve parents in the planning, review, and improvement of the schoolwide program plan.

(2) A schoolwide program must have a parental involvement policy, consistent with section 1118(b) of the ESEA, that—

(i) Includes strategies, such as family literacy services, to increase parental involvement in accordance with sections 1118(c) through (f) and 9101(32) of the ESEA; and

(ii) Describes how the school will provide individual student academic assessment results, including an interpretation of those results, to the parents of students who participate in the academic assessments required by § 200.2.

Condition

We selected a sample of 25 District of Columbia Public Schools (DCPS) schools receiving Title I and Title II funds and operating schoolwide programs to determine whether the required Comprehensive School Plan (CSP) was completed and that the plan included appropriate parental involvement. We noted that for 6 of 25 schools tested, DCPS was unable to provide evidence of parental involvement in the Comprehensive School Plan process.

Cause

During the process of developing the CSP, the parents involved in that process are documented on the signature page of the school’s needs assessment package. For the exception noted, DCPS management’s review of the needs assessment package did not detect that parent signatures were not documented.

Effect

The District was not in compliance with the Schoolwide Program requirements related to parent involvement.

Recommendation

We recommend that DCPS strengthen management oversight of the CSP process to ensure that each needs assessment package contains appropriate documentation of the involvement of parents.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS acknowledges the facts and recommendations of this finding and has already implemented a number of internal controls to strengthen management oversight of the development of the Comprehensive School Plan. Most of the internal controls were implemented during the 2013-14 school year, and will continue to be enhanced for the 2014-15 school year.

The controls ensure that members of the DCPS Office of Federal Programs and Grants (OFPG) are working closely with the Office of School Performance and Turnaround (OSPT) by attending Elementary and Secondary Education Act (ESEA) monitoring visits, which occur on an ongoing basis throughout the school year. These meetings include a focus group discussion with parents. During these visits, the OFPG staff is able to debrief as needed with parents and school staff regarding their understanding of federal mandates. Parents have the opportunity to ask additional questions to ensure they are aware of parental rights and services related to Title I schools.

OFPG will also work closely with OSTP on the developed timeline for 2014-15 which will aide schools in developing and getting plans approved by their instructional superintendents and the Chancellor, and ensuring that all of the necessary participants have had input on the plans, and have signed off accordingly. Special attention and consideration will be given to the lowest 40 DCPS schools (identified as Focus or Priority status) since those schools receive additional supports and have additional reporting requirements.

<i>Finding Number</i>	2013-043
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010)
<i>Federal Award Number</i>	S010A120051 (7/1/2012 – 9/30/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<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.

Cause

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.

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 2013.

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

DCPS acknowledges the facts and recommendations of this finding. Subsequently, the DCPS Office of Federal Programs and Grants will work closely with the Office of the Chief Financial Officer to strengthen internal controls for comparability requirements for the Title I program. The internal controls adjustment will include a formal meeting to review the process and formulas used in calculating Comparability for accuracy and completeness. Agendas and sign-in sheets will be implemented to document the details of these meetings in addition to the actual Comparability submission documentation.

<i>Finding Number</i>	2013-044
<i>Prior Year Finding Number</i>	2012-73
<i>Federal Program</i>	Vocational Rehabilitation Program (84.126)
<i>Federal Award Number</i>	H126A130011 (10/1/20120 – 9/30/2013)
<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, representing federal funds of \$59,556 from a population of \$5,576,687 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 nine (9) out of 40 items tested totaling \$15,101 in federal expenditures, determination of eligibility was not made within 60 days of date of application and no waiver letter was issued. We note that in 7 of the 9 instances, the application was received in a prior fiscal year.
2. For one (1) out of 40 items tested totaling \$540 in federal expenditures, the certification of eligibility was not properly included in the client's file. As such, the timeliness of the eligibility processing could not be determined.
3. For one (1) out of 40 items tested totaling \$50 in federal expenditures, the certification of eligibility was not signed by the VR Counselor.
4. For three (3) out of 40 items tested totaling \$812 in federal expenditures, the Individualized Plan for Employment (IPE) was not approved by the VR counselor.
5. For one (1) out of 40 items tested totaling \$50 in federal expenditures, the IPE was not reviewed within one year of the previous IPE.
6. For eight (8) out of 40 items tested totaling \$1,693 in federal expenditures, the client did not sign the IPE.

We noted that for all of the above instances, we were able to determine that the participant was 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 VR 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.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

As indicated above, only two of the eligibility determinations that were not completed timely were related to eligibility determinations that were due in FY 2013. Seventeen cases in the sample had eligibility determinations due in FY 2013; and as indicated only 2 of the 17 were not completed timely. This is a rate of 88% (15/17). The agency instituted new monitoring practices by supervisors to improve performance in this area in FY 2012. There has been considerable improvement. In most recent quarter (i.e., from January-March 2014, compliance with timely determination of eligibility was 92% in January, 93% in February and 96% in March). In addition, the agency updated its internal protocol to provide

clear instructions for staff on extension of eligibility determination, to ensure that proper consent is obtained from the applicant. The mandatory training for all staff on this protocol is scheduled for June 19, 2014.

The agency is moving to fully electronic case files. This will increase the efficiency of case review by the supervisors. It also allows the agency to have controls in place to ensure completion of files, and to ensure that documents have necessary (electronic) signatures before a case is moved forward. Currently, counselors complete the documents in the electronic case file, but then have to print out and obtain hard copy signatures. When the electronic case file system is fully operational, the electronic signature will be recorded in the file at the time each document is created. In addition, there have been improvements in the system in the past year to ensure that necessary documents self-generate in the system, walking the counselor through the process. Previously, the counselor had to manually search for and open each document, resulting in some missed documents. The current compliance with documents, such as Eligibility Determination letter is also much improved.

<i>Finding Number</i>	2013-045
<i>Prior Year Finding Number</i>	2012-74
<i>Federal Program</i>	Vocational Rehabilitation Grants to States (84.126)
<i>Federal Award Number</i>	H126A130011-13 (10/1/2012 – 9/30/2013)
<i>Federal Agency</i>	U.S. Department of Education
<i>District Department</i>	Department on Disability Services
<i>Compliance Requirement</i>	Reporting

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.

34 CFR 361.40 states the following:

(a) The State plan must assure that the designated State agency will submit reports, including reports required under sections 13, 14, and 101(a)(10) of the Act—

- (1) In the form and level of detail and at the time required by the Secretary regarding applicants for and eligible individuals receiving services under this part; and
- (2) In a manner that provides a complete count (other than the information obtained through sampling consistent with section 101(a)(10)(E) of the Act) of the applicants and eligible individuals to—
 - (i) Permit the greatest possible cross-classification of data; and
 - (ii) Protect the confidentiality of the identity of each individual.

(b) The designated State agency must comply with any requirements necessary to ensure the accuracy and verification of those reports

Condition

We noted deficiencies in the management review process in place to ensure accuracy of the financial information recorded on the SF-425, Federal Financial Report, and submitted to the cognizant agency. Specifically, during our testing of the SF-425 filed as of March 31, 2013, we noted that incorrect amounts were entered in the transactions section of the report. The amount reported for Federal Share of Expenditures was \$6,655,101 and the correct amount was \$2,484,275, which resulted in a variance of \$4,170,726. While the amounts were properly calculated on the supporting worksheet, the entry of the amount onto the report was erroneous and not detected by the approver.

In addition, we noted deficiencies in the management review process in place to ensure accuracy of the information recorded on the RSA-2, Annual Vocational Rehabilitation Program/Cost Report, and submitted to the cognizant agency. Specifically, during our testing of the RSA-2 filed as of September 30, 2013, we noted that amounts entered within *Schedule II. Number of Individuals Served and Expenditures by Service Category* did not agree to the total number of individuals served recalculated by KPMG. The variances noted are detailed below.

Line No.	Line Title	Amount Reported	Amount Recalculated by KPMG	Variance
4.e	Training Total (Number of Individuals)	1,574	1,315	259
10	Total No. of Individuals (and Expenditures)	3,676	2,269	1,407

Cause

The VR program’s internal controls over the preparation and review of SF-425 reports and RSA-2 reports were not operating effectively.

Effect

The District is not in compliance with SF-425 and RSA-2 reporting requirements.

Recommendation

We recommend that the VR program strengthen existing internal controls to ensure that the SF-425 reports and both the financial data and service counts on the RSA-2 reports are reviewed prior to submission at a sufficient level of precision to ensure that the reports are complete and accurate.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department on Disability Services OCFO concurs with the finding. Please note that the subsequent quarterly reports were submitted without any errors. The OCFO will continue to execute due diligence in its review of SF-425 report prior to submission in order to ensure the accuracy of the reported data.

The VR Program will strengthen the management review process to ensure accuracy of the information recorded on the RSA-2, Annual Vocational Rehabilitation Program/Cost Report. In order to ensure the accuracy of the information in the RSA-2 report, the RSA staff person who prepares the report will attach all documentation which supports the calculations for all data in the RSA 2 report when submitting the report for review. The draft report will provide references on each line for where in the supporting documents the data supporting each amount can be found. The report will be reviewed by the Operations Program Manager, then submitted for review and approval by the Deputy Director for RSA. All supporting documents will be attached when the report is submitted for the Deputy Director’s approval and signature, prior to filing the report with the Department of Education.

<i>Finding Number</i>	2013-046
<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 – 9/23/2014)
<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

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.”

OMB Circular A-87, Attachment B, Section 8.d.3 states the following:

“When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.”

Condition

The District of Columbia Public Schools (DCPS) State Fiscal Stabilization – Race to the Top program had total payroll and fringe benefit expenditures of \$5,836,761 in FY 2013. We tested a sample of 63 payroll and fringe benefit expenditures totaling \$224,036 to determine compliance with OMB Circular A-

87 and program requirements. We noted that the Race to the Top program was not in compliance with the requirements for six of the 63 transactions tested. Specifically, we noted the following:

1. For four transactions tested, the employee received a payment for an Additional Income Allowance (AIA) for Master Educators that was improperly calculated. This resulted in overpayments of \$361 in gross pay for the pay periods tested and a total of \$3,307 during fiscal year 2013 for the employees tested.
2. For one transaction tested, the employee was paid \$292 in gross pay for an AIA that they were not eligible to receive. Total overpayments to the employee during fiscal year 2013 were \$731.
3. For one transaction tested, the employee received a payment of \$6,438 for unused leave upon separating from DCPS. According to OMB Circular A-87, separation leave costs should be allocated as a general administrative expense and allocated to all activities. As DCPS does not have an indirect cost agreement in place for the Race to the Top program, this is an unallowable cost.

Cause

The AIA amounts were not calculated correctly by the Director of IMPACT because grade/step increases were not factored into the calculation, resulting in overpayments to the employees. Further, controls over the AIA payment process failed to detect an additional employee who was paid AIA and was not included on the list of employees authorized to receive AIA. Lastly, controls over reimbursement requests failed to identify separation leave costs as an unallowable direct cost.

Effect

DCPS was not in compliance with Allowable Costs/Cost Principles requirements.

Recommendation

We recommend that DCPS strengthen its internal controls to ensure to ensure payroll costs charged to federal awards are accurately calculated, properly supported and allowable to be charged to the program in accordance with federal requirements.

Related Noncompliance

Noncompliance

Questioned Costs

Known \$10,476 (\$3,307 + \$731 + \$6,438)

Views of Responsible Officials

Management concurs with the finding and will review the AIA and step approval process to ensure there are sufficient steps in place to ensure that amounts are calculated appropriately and awarded to qualifying individuals.

<i>Finding Number</i>	2013-047
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	State Planning and Establishment Grants for the Affordable Care Act's Exchange (CFDA #93.525)
<i>Federal Award Number</i>	HBEIE120133-01
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	District of Columbia Department of Health Care Finance (DHCF) and District of Columbia Health Benefit Exchange Authority (HBX)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

According to the 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 recorded.”

The District’s basis of accounting for the preparation of the Schedule of Expenditures of Federal Awards as reflected in the notes to the Schedule is as follows: “The expenditures for each of the federal award programs are presented in the Schedules using the modified accrual basis of accounting. 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.”

Condition

During our testwork over allowable cost for the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges with total expenditures reported on the SEFA of \$43,899,255 we sampled and tested \$28,198,672. Out of the \$43,899,255 in expenditures reflected on the SEFA, \$25,746,403 has not yet been reimbursed by the Federal Government to date. We further noted that the grant is maintained by the Department of Health Care Finance (DHCF) and passed through to the District’s Health Benefit Exchange Authority (HBX); under the memorandum of understanding both agencies can incur cost related to the grant. We noted the following in our testwork:

For four (4) out of sixty five (65) items tested, the amount reflected on the SEFA did not have sufficient supporting documentation as follows:

- PO462888 for \$179,402 was accrued, however, no subsequent invoices have been received to date from the vendor;
- PO467548 for \$335,516 was over-accrued by \$286,577 as the August and September 2013 invoices support an accrual amount of \$48,940, however, no subsequent invoices have been received to date from the vendor;
- PO465305 for \$63,000 was over-accrued by \$28,700 as the August and September 2013 invoices support an accrual amount of \$34,300, however, no subsequent invoices have been received to date from the vendor; and

- PO465787 for \$22,500 was accrued and no subsequent invoices have been received to date from the vendor.

Cause

The District did not have internal controls in place to ensure that all vendors were contacted in order to obtain the amount of cost incurred but not invoiced by the vendor as of September 30, 2013. As a result, the District accrued the remaining balance on the above purchase orders as of September 30, 2013 as the basis for their estimate of the fiscal year end accrual.

Effect

The expenditures on the SEFA are over-stated by \$517,179. The District was not in compliance with allowable cost requirements and internal controls were not operating effectively.

Recommendation

We recommend that the District strengthen their internal controls to ensure compliance with applicable allowable cost requirements and its stated basis of accounting.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management completely disagrees with this finding. At the end of the fiscal year management conducted a comprehensive analysis of 97 lines of open purchase orders totaling \$12.05M. As a result of the analysis Management concluded that 79 lines would receive no additional invoices and determined that those obligations which totaled \$8.52M would be closed. Management subsequently accrued \$3.53M. It is exceeding difficult to determine with 100% accuracy the cost of the services that were received and not invoiced as of fiscal year end. It is clear that Management conducted a thorough analysis if not the current liabilities would have been materially overstated or understated and this is not evident. This demonstrates that Management has a process to review and record current liabilities.

In addition, the District does not seek reimbursement for the accrued non-personnel expenditures.

KPMG's Response

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

<i>Finding Number</i>	2013-048
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	State Planning and Establishment Grants for the Affordable Care Act's Exchange (CFDA #93.525)
<i>Federal Award Number</i>	HBEIE120133-01
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	District of Columbia Department of Health Care Finance (DHCF) and the District of Columbia Health Benefit Exchange Authority (HBX)
<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 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.

Condition

During our testing of the Federal Funding Accountability and Transparency Act (FFATA) Reporting requirements for the District of Columbia's (the District) State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges program, we noted that the District did not report the obligating actions of any of its program subawards with a value of \$25,000 or more, to the federal website, www.usaspending.gov, during FY2013. Specifically, KPMG noted that FFATA reports were not submitted for any of the 8 sub-recipients who received program subawards with a value of \$25,000 or more that we identified through our allowable cost testwork. KPMG further noted that the District was not able to provide a complete listing of all subawards as some of the sub-recipients were recorded under the general ledger object class 41 for contractual services instead of general ledger object class 51 for sub-recipients.

Cause

Management did not have adequate controls in place to ensure compliance with the FFATA reporting requirements.

Effect

The District was non-compliant with the FFATA reporting requirements for this program.

Recommendation

We recommend that the District strengthen their internal controls to ensure compliance with applicable FFATA reporting requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The management of the District's Health Care Exchange concurs to the finding and will adhere to the recommendation.

<i>Finding Number</i>	2013-049
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	State Planning and Establishment Grants for the Affordable Care Act Exchanges (CFDA #93.525)
<i>Federal Award Number</i>	HBEIE120133-01
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	District of Columbia Department of Health Care Finance (DHCF)
<i>Compliance Requirement</i>	Reporting
<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.

Condition

During our testwork over the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges we noted that the annual Federal Financial Report SF- 425 for grant 31HIX2, which was due on October 30, 2013, was submitted late on April 22, 2014.

Cause

There was no control to ensure that all reports were submitted timely.

Effect

The District submitted the report late which resulted in non-compliance with the grant's reporting requirements.

Recommendation

We recommend that the District strengthen its internal controls to ensure compliance with applicable reporting requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management agrees with the finding. DHCF will monitor each grant's terms and conditions to ascertain the reporting timelines and comply with the timely filing of the Federal Financial Report SF- 425.

<i>Finding Number</i>	2013-050
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (TANF) (CFDA#93.558/93.714)
<i>Federal Award Number</i>	1302DCTANF 1202DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S. 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>	Yes

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 § 261.61 (a), a State must support each individual's hours of participation through 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 testwork over the Special Tests and Provisions – Penalty for Failure to Comply with the Work Verification Plan and to test the completeness and accuracy of the ACF-199 report, we noted:

- For 7 out of 40 cases, DHS was unable to provide supporting documentation to substantiate the reported participation hours in ACF-199, *TANF Data Report (OMB No.0970-0309)* report as required by the DC Work Verification Plan and the Federal Regulation.

During our testwork over Reporting and to further test the completeness and accuracy of the ACF-199 report, we selected a sample of 40 cases 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. As a result of the testing, of the 40 samples tested we noted 25 exceptions. Specifically, we noted:

- 5 cases for which not all requirements of the OQAA’s review were completed as evidenced by the required fields of the forms (TANF Eligibility Review and Work Participation Verification forms).
- Additionally, we noted 20 cases for which we determined the monthly reviews were completed between December 2012 and April 2014, and therefore were not completed timely to allow for any data inconsistencies to be corrected prior to submission of the ACF-199.

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 consider enhancing existing policies to include a supervisory review of the TANF Eligibility Review and Work Participation Verification forms completed as part of the OQAA review, to include signatures and dates. Lastly, we also recommend that management continue enforcing existing policies of the OQAA performing the review of the Q5i data to ensure the data is complete and accurate prior to submission of the ACF-199.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the finding and will implement the following:

- OQAA will keep a copy of all emails indicating errors/deficiencies cited from the Q5i analysis.
- OQAA will keep a copy of all emails sent to the Program Manager/Section Chief in reference to the errors/deficiencies cited from the Q5i analysis.
- OQAA will follow-up to ensure that all necessary correction(s)/action(s) were completed by the due date given to the Program Manager/Section Chief.
- OQAA will forward a copy of the original email sent to the Program Manager/Section Chief to Deputy Administrator Rita Wood-Hinton, if the correction(s)/action(s) were not completed by the due date.

- Signatures and dates will be added to the TANF Eligibility Review and Work Participation Verification form for both the Program Analyst and Supervisor/Chief of OQAA.

<i>Finding Number</i>	2013-051
<i>Prior Year Finding Number</i>	2012-85
<i>Federal Program</i>	Temporary Assistance for Needy Families (TANF) (CFDA #93.558/93.714)
<i>Federal Award Number</i>	1302DCTANF 1202DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Eligibility Special Test and Provisions-Income Eligibility and Verification System
<i>Finding Related to ARRA</i>	No

Criteria

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.

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

Temporary Assistance for Needy Families (TANF) eligibility determinations are made by Social Service Representatives (SSRs) at DHS. During our audit we tested a sample of 40 TANF eligibility determinations made by DHS and noted 12 cases which had exceptions. Specifically:

- 8 sample cases where ESA/DHS was unable provide evidence that IEVS/Interface check was completed.
- 4 sample cases where management was unable to provide the applicable documentation to support TANF eligibility, including 2 cases where management was unable to provide the applicable documentation to support timely TANF eligibility recertification/assessments were done, and 1 case where the customer was not financially needy, but received TANF benefits.

During FY2013, the District paid \$26,353 in federal awards to the above 12 TANF beneficiaries. We determined this amount represents 26% of the total amounts paid by the District in claims related to the 40 beneficiary payments sampled of \$101,991. The District paid a total of \$23.9 million in federally funded 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 FY2013.

Cause

Controls are not adequate to ensure that the District is in compliance with TANF IEVS and Eligibility compliance requirements.

Effect

Without adequate internal controls to ensure compliance with TANF IEVS and Eligibility requirements, there is an increased risk that ineligible beneficiaries will receive TANF benefits.

Recommendation

We recommend that management enforce existing policies and procedures and improve its internal controls to ensure that IEVS is consistently used and adequate documentation is maintained, and to ensure that the District is in compliance with the TANF IEVS and Eligibility compliance requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$26,353

Views of Responsible Officials

Management agrees that there were eight (8) sample cases where ESA/DHS was unable to provide evidence that IEVS/Interface check was completed.

Management does not agree that it was unable to provide the applicable documentation to support TANF eligibility for four (4) cases, including 2 cases where management was unable to provide the applicable documentation to support timely TANF eligibility recertification/assessments were done, and 1 case where the customer was not financially needy, but received TANF benefits. Without being provided the specific case numbers, Management surmises that the four (4) cases referenced pertain to sample #2, 5, 10, and 11. Management asserts that these four (4) cases did not have exceptions but were acceptable, as was attested to by the Auditor at the time of case reviews on 4/22/14 and 4/23/14, respectively. On 4/22/14, the Auditor reviewed additional documentation presented regarding sample cases #2 and #5 and deemed them acceptable. Regarding sample #10 and 11, wherein the Auditor stated that there was no recertification document, the Auditor was presented with documentation and verbal explanation that current policy (dated March 12, 2013) redefines the TANF review (recertification) as the completion of an assessment (which is a part of the Orientation and Assessment process). It was further stated that assessments are still active until a new policy is in effect. Consequently, on 4/23/14, the Auditor deemed this information and these two cases acceptable.

Management will enforce existing policies and procedures to ensure that IEVS is consistently utilized during eligibility determination and adequate documentation is maintained and entered into DIMS.

KPMG's Response

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

<i>Finding Number</i>	2013-052
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (TANF) (CFDA #93.558/93.714)
<i>Federal Award Number</i>	1302DCTANF 1202DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S. 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 18

exceptions in which the benefit amounts were not reduced by 25%, which in total for the months selected for testing resulted in \$1,697 in questioned costs:

- For 17 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. For the cases and months selected, 25% of the monthly benefit amounts totaled \$1,640.
- In 1 case (case # 00294265) the sanction was incorrectly calculated. Specifically, the recalculated benefit reduction was approximately 8% rather than the minimum 25% to be in accordance with 45 CFR § 264.30 (c). For this case, the monthly benefit amount was overpaid by \$57 (25% less the 8% reduction).

Cause

Controls are not adequate 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.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$1,697

Views of Responsible Officials

Management concurs with the finding and recommendation.

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.

DHS will partner with the Office of Child Support Enforcement, Child Support Services Division (CSSD) to periodically reconcile the list of cases CSSD forwards to ESA for recommended sanctioning.

<i>Finding Number</i>	2013-053
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (TANF) (CFDA #93.558/93.714)
<i>Federal Award Number</i>	1302DCTANF 1202DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Services (DHS), 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>	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 over the Activities Allowed/Allowable Costs compliance requirements, we tested 25 payments to child care providers that were funded from the TANF program. Of the 25 payments tested, we noted 1 exception in which the child did not appear on the vendor's attendance sheet and was terminated in the system as of June 2013 but the District continued to make payments to the vendor for the child. OSSE noted the error and the child was officially terminated in the system on February 10, 2014, effective as of June 28, 2013 and OSSE is still in the process of recouping the overpayments from the vendor. While we note OSSE identified the matter, we note this as an exception as OSSE failed to identify the terminated child timely and as a result overpaid the vendor for a period of 7 months (July 2013- January 2014) – resulting in 3 months during FY13 with questionable costs totaling \$2,350 which represents approximately 12% of the total payments tested in our sample.

Cause

Controls are not adequate to ensure that the District is in 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 \$2,350

Views of Responsible Officials

OSSE does not concur with this finding. OSSE had already detected the discrepancy with the payment prior to the auditing sample. OSSE was already in the process of recouping the overpayment. OSSE's existing policies and procedures which detected the discrepancy are adequate to maintain internal control.

KPMG's Response

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

<i>Finding Number</i>	2013-054
<i>Prior Year Finding Number</i>	2012-86
<i>Federal Program</i>	Temporary Assistance for Needy Families (CFDA # 93.558/ 93.714)
<i>Federal Award Number</i>	1302DCTANF 1202DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S Department of Health & Human Services (HHS)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Reporting Special Tests and Provisions— Penalty for Refusal to Work
<i>Finding Related to ARRA</i>	Yes

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 § 261.14 (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.”

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 testwork of 40 samples selected to test the Special Tests and Provision Penalty for Refusal to Work, we noted 5 instances where beneficiaries continued to receive TANF funds after the District identified and requested the beneficiary payments be discontinued for refusal to work. TANF payments made to these five beneficiaries subsequent to the date sanctions were requested and approved by the District’s Office of Performance Monitoring (OPM) amounted to \$8,940. Total FY2013 payments made to the 40 beneficiaries included in our sample amounted to \$42,708. This also impacts the completeness and accuracy of the ACF-199, *TANF Data Report*, where this information is reported.

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 and to ensure that adequate documentation is maintained. We also recommend that TANF program personnel assess the impact of refusal to work cases on reporting in the ACF 199 and consider whether adjustments should be made to recent reports.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$8,940

Views of Responsible Officials

Management concurs with the finding and recommendation.

Management will enforce existing policies and procedures and implement additional controls to ensure that Penalty for Refusal to Work requirements is complied with and adequate documentation is maintained. This includes establishing enhancing existing data systems to enable better tracking and monitoring of sanction requests, and establishing written policies and procedures, including internal timeframes for processing requests for sanction. The new DHS sanction process will be the vehicle for effectuating this.

<i>Finding Number</i>	2013-055
<i>Prior Year Finding Number</i>	2012-83
<i>Federal Program</i>	Temporary Assistance for Needy Families (TANF) (CFDA #93.558/93.714)
<i>Federal Award Number</i>	1302DCTANF 1202DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Services (DHS)
<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.

The OMB A-133 Compliance Supplement states that “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.” According to 31 CFR 215.22 (a), “payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205”.

The Cash Management Improvement Act (CMIA) agreement between the District of Columbia and the U.S. Department of the Treasury requires that established cash management funding techniques be followed when requesting reimbursement of Federal funds. Specifically, the agreement requires reimbursements for administrative costs to use an Actual Costs-Modified Clearance funding technique and a clearance pattern of seven (7) days.

Condition

Based on cash management test work performed over 40 sample program expenditures totaling \$11,179,448, we noted 3 instances totaling \$164,861 where the District requested and collected funding earlier than the funding technique and clearance pattern specified in the CMIA agreement.

Additionally, while performing control procedures over requests for reimbursements (draw downs), we noted that for 2 draw downs, the Supervisory Accountant signed off the Journal Entry and CFO Solve Report to evidence review and approval, however, the review was not completed timely as the sign off was subsequent to the drawdown being requested and received.

Cause

Controls are not adequate to ensure compliance with the CMIA Agreement with Treasury.

Effect

The program is not in compliance with the CMIA Agreement or cash management requirements.

Recommendation

We recommend that DHS strengthen its internal controls to ensure compliance with applicable cash management requirements and the CMIA Agreement with Treasury.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the finding where the agency requested and collected funding earlier than the funding technique and clearance pattern specified in the CMIA agreement. Many of the payments are made via ACH in which funding was disbursed prior to the clearance pattern time frame. The TSA must be adjusted to account for ACH payments.

Management does not agree with the auditor stating that the review of the CFO Solve report was not completed timely as the sign off was subsequent to the drawdown being requested and received. All draw down requests are reviewed by the Supervisory Accountant (via the CFO solve report) prior to the execution of the draw in the Federal cash management systems. The sign offs were done one day after the request was executed. It was an oversight on the part of the supervisor not to sign the reports upon review.

KPMG's Response

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

<i>Finding Number</i>	2013-056
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (TANF) (CFDA #93.558/93.714)
<i>Federal Award Number</i>	1302DCTANF 1202DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<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

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 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

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 control walkthrough we noted the 2nd quarter RMS adjustment journal entry was not recorded, although the reconciliation was performed and a RMS was completed. We determined, as a result of our inquiries and inspection of supporting documentation, that the RMS adjustment was not recorded timely for the 2nd quarter. Further, we noted per review of the 4th quarter RMS adjustment journal entry that the District did not record the full amount of the adjustment per the RMS adjustment schedule and was unable to provide adequate supporting documentation for recording a reduced adjustment.

While the amount recorded did not exceed the RMS amount (and did not impact the allowability for Payroll), we determined the above facts to be indicative of the controls not being adequately designed and implemented surrounding the RMS journal entry.

Cause

Management does not have a control in place to ensure that the District is recording RMS adjustment journal entries timely and has not maintained documentation supporting its decision to alter the adjustment supported by the RMS.

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 grant are not allowable.

Recommendation

We recommend that management enforce existing policies and procedures and improve its internal controls to ensure that RMS adjusting journal entries are prepared and reviewed timely, and to ensure adequate documentation is maintained and that the District is in compliance with the Activities Allowed/ Allowable Costs compliance requirements.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

Management does not agree with the KPMG opinion that controls are not being adequately designed and implemented surrounding the RMS journal entry. During the field work it was explained that there is no requirement by the Federal government nor the District OCFO to make adjustments for the quarterly RMS allocations. Entries are made at year end to record the RMS results that are reported to the Federal government.

In addition, all entries for the fourth quarter RMS allocation were completed and reconciled to the supporting schedule for the RMS calculations. The adjusting entry referenced in the condition (PB3CJ038) did not record the full amount because the difference was recorded in journal entry PB3DJ035.

KPMG's Response

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

<i>Finding Number</i>	2013-057
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Care and Development Fund (CFDA # 93.575, 93.596)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	U.S. Department of Education
<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 Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

According to **45 CFR § 98.11 - Administration under contracts and agreements,**

- a. The Lead Agency has broad authority to administer the program through other governmental or non-governmental agencies. In addition, the Lead Agency can use other public or private local agencies to implement the program; however:
 1. The Lead Agency shall retain overall responsibility for the administration of the program, as defined in paragraph (b) of this section;
 2. The Lead Agency shall serve as the single point of contact for issues involving the administration of the grantee's CCDF program; and
 3. Administrative and implementation responsibilities undertaken by agencies other than the Lead Agency shall be governed by written agreements that specify the mutual roles and responsibilities of the Lead Agency and the other agencies in meeting the requirements of this part.

- b. In retaining overall responsibility for the administration of the program, the Lead Agency shall:
 1. Determine the basic usage and priorities for the expenditure of CCDF funds;
 2. Promulgate all rules and regulations governing overall administration of the Plan;
 3. Submit all reports required by the Secretary;
 4. Ensure that the program complies with the approved Plan and all Federal requirements;
 5. Oversee the expenditure of funds by subgrantees and contractors;
 6. Monitor programs and services;
 7. Fulfill the responsibilities of any subgrantee in any: disallowance under subpart G; complaint or compliance action under subpart J; or hearing or appeal action under part 99 of this chapter; and
 8. Ensure that all State and local or non-governmental agencies through which the State administers the program, including agencies and contractors that determine individual eligibility, operate according to the rules established for the program.

The above guidance refers to compliance with the federal requirements. The following CFR guidance details the eligibility age requirements to be adhered to by subrecipients:

§ 98.20 A child's eligibility for child care services.

In order to be eligible for services under § 98.50, a child shall:

1. (i) Be under 13 years of age; or,

- (ii) At the option of the Lead Agency, be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision;
- 2. Reside with a family whose income does not exceed 85 percent of the State’s median income for a family of the same size; and
- 3. (i) Reside with a parent or parents (as defined in § 98.2) who are working or attending a job training or educational program; or
(ii) Receive, or need to receive, protective services and reside with a parent or parents (as defined in § 98.2) other than the parent(s) described in paragraph (a)(3)(i) of this section.

Condition

For expenditures totaling \$69,058.53 relating to two subrecipients of the 10 subrecipients tested within the provider allowability expenditure selections totaling \$311,769.00, services were provided to children between the ages of 13 and 18 who OSSE were unable to support met the “incapable of self care or under court supervision” exception.

Cause

The grant agreement between OSSE and the two subrecipients allowed expenditures for children between the ages of 5 and 18, without any restrictions. Inadequate controls over allowability/allowable costs and subrecipient monitoring allowed for the errors to go undetected and uncorrected.

Effect

Without adequate controls to ensure compliance with the Allowability/Allowable Costs and Subrecipient Monitoring compliance requirements there is an increased risk that ineligible children will receive funds from subrecipients.

Recommendation

We recommend that OSSE implement internal control procedures to review subrecipient grant agreements prior to issuing them to subrecipients to ensure the grant provisions are in compliance with the program compliance requirements so that services are being provided to eligible children.

Related Noncompliance

Noncompliance

Questioned Costs

Known \$375,000

Latin American Youth Center - \$200,000

Multicultural Career Intern Program - \$175,000

Views of Responsible Officials

The Office of the State Superintendent of Education, Division of Early Learning (OSSE/DEL) is responsible for coordinating early childhood education services for District of Columbia children and

their families. During FY 2013 and the applicable period of the federal grant, OSSE/DEL funded grants for out of school time services for children from limited English proficient Asian, African, Latino and other Newcomer communities in the District of Columbia. The objective of the program was to increase the number of out of school time services for at-risk children from limited English proficient Asian, African, Latino, and other Newcomer communities in the District who may have difficulty accessing out of school time programs due to language barriers. OSSE sought guidance regarding the scope of services that may be funded with CCDF and determined that these funds should not be used for limited English proficient populations. Consequently, OSSE revised the grant award agreements with the appropriate age limit.

<i>Finding Number</i>	2013-058
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Care and Development Fund (CFDA # 93.575, 93.596)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	U.S. Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

According to the 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 recorded.”

Per 45 CFR section 98.67, “Federal Programs Excluded from the A-102 Common Rule,” grantees (lead agencies) shall expend and account for CCDF funds in accordance with the laws and procedures they use for expending and accounting for their own funds.

The District’s basis of accounting for the preparation of the Schedule of Expenditures of Federal Awards as reflected in the notes to the Schedule is as follows: “The expenditures for each of the federal award programs are presented in the Schedules using the modified accrual basis of accounting. 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.”

Condition

During our review of allowable costs for providers we noted the following:

- For 6 of 15 provider payments selected for testing, we identified one or more children who were included on the provider statements who did not appear on the actual attendance sheet for the selected period. Additionally, the District requested reimbursement for the entire amount of the provider statement from the Federal Government. As a result, the provider was overpaid by \$7,846.92 for these children.
- For 1 of 15 provider statements selected for testing, 13 of 88 children included in the provider statement were billed using the rates designated for a "Bronze" level facility when the facility was designated as a "Gold" tier facility and should have been billed at a higher rate. As a result, the provider was underpaid by \$3,238.05 for those 13 children.
- For 1 of 15 provider statements selected for testing, 8 of 66 children included in the provider statement had more than 5 unexcused absences for the period and, in accordance with OSSE policy, should have had their total attendance days reduced by each day exceeding 5. As a result, the provider was underpaid for those 8 children by \$780.80.

- For 1 of 15 provider statements selected for testing, there was a child for which the agency was billed for 8 days during the billing period when the actual attendance records reflected that the child was only in attendance for two days during the billing period. As a result, the provider was overpaid \$435.28 for this child during this billing period.

Cause

OSSE began to implement a process of reconciling the detailed billing information reflected on provider statements to the actual attendance records beginning in May 2013. However, prior to this date, did not have an effective process in place to detect and correct any differences between the actual attendance records and the provider statements. Further, OSSE does not adjust their total expenditures for unallowable costs in the period they were deemed unallowable, thus misstating total expenditures reported on the SEFA.

Effect

Without adequate controls to ensure compliance with the Allowability/Allowable Costs compliance requirements there is an increased risk that ineligible children will receive funds from subrecipients. Additionally, without a reconciliation process in place at year end to properly account for identified unallowable expenditures incurred, the SEFA will be misstated and OSSE will have requested reimbursement for unallowable costs from the Federal Government.

Recommendation

We recommend that OSSE adhere to its monthly reconciliation process to ensure providers are only providing services and being reimbursed for eligible children. In addition, ECE should implement policies and procedures to properly adjust the SEFA and its request for reimbursement from the Federal Government to account for any costs determined to be unallowable during the year they were identified as such.

Related Noncompliance

Noncompliance

Questioned Costs

Known \$4,263.35 (calculated as follows: 7,846.92 + (3,238.05) + (780.80) + 435.28)

Views of Responsible Officials

For the finding in the first bullet, OSSE notes that they currently perform a single reclassification of local child care subsidy payments to fulfill the mandatory portion of the Child Care Development Grant. OSSE has a reconciliation policy in place for its child care subsidy program, whereby any recoupments flow back in the form of local funds. OSSE will clarify its policy to ensure that if a provider payment is reclassified from federal to local and hence requires recoupment, OSSE program staff will identify the recoupment such that the appropriate correction is made to the Child Care Development Grant and will select a different allowable provider payment to substitute the re-classified payment.

For the finding in the second bullet OSSE does not concur. According to the test performed, it was noted that the provider attendance statements showed a subsidy rate of Bronze but the provider was a “Gold” tier facility. On several occasions, a provider tier status changes during the middle of the fiscal year. For

example, the new tier rate may take effect on the effective date of April 1st. The OSSE reimbursement system is based on a month delay and reflects reimbursement for attendance in the prior month. For example, if attendance is submitted on April 5th, that attendance report reflects attendance for March 1-31. Additionally if a provider becomes Gold tiered on April 1st it would not affect the attendance reimbursement submitted on April 5th as the new rate effective date is April 1. OSSE disagrees with the questioned costs.

For the finding in the third bullet, the provider's payment was correct according to OSSE's policy. The provider was correctly underpaid for absences above five unexcused absences. The \$780.80 in underpayment is a result of excessive absences.

For the finding in the fourth bullet, OSSE notes that when a parent/guardian decides to terminate his/her child, he/she contacts DHS/OSSE and provides a termination date. As a result, that termination date is recorded in the attendance module. The termination date is a self-reported date by the parent/guardian. When the attendance report is generated, the original termination date is captured. This, if parent/guardian gives one date for a termination and later changes their mind, the reported attendance will be incorrect and will create an error in the attendance calculation which can lead to possible under or over payment. For the provider in the sample, OSSE staff identified the error as part of the reconciliation process, corrected the termination date in the system, and recouped the overpayment in April 2013.

KPMG's Response

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

Finding Number 2013-059
Prior Year Finding Number 2012-101
Federal Program Foster Care-Title IV-E (93.658)
Federal Award Number Various
Federal Agency U.S. Department of Health and Human Services
District Department Child and Family Services Agency
Compliance Requirement Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Finding Related to ARRA Yes

Criteria

The A-I02 Common Rule and 2 Code of Federal Regulations (CFR) part 215 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.

Condition

During our initial review of the FY 2013 Schedule of Expenditures of Federal Awards (SEFA) for the Foster Care program, we noted the amount per the SEFA did not agree to the detail provided for maintenance expenditures as follows:

- For the second lapsing quarter (second quarter of FY 2011), there was an adjustment made for maintenance expenditures claimed. The amount claimed for federal expenditures and reflected on the SEFA was \$418,328; however, the amount which should have been claimed per a recalculation of actual expenditures per the supporting detail was \$413,970. This error resulted in a \$4,358 overstatement of the SEFA.
- For the third lapsing quarter (third quarter of FY 2011), there was an adjustment made for maintenance expenditures claimed. The amount claimed for federal expenditures and reflected on the SEFA was \$705,615; however, the amount which should have been claimed per a recalculation of actual expenditures per the supporting detail was \$693,325. This error resulted in a \$12,290 overstatement of the SEFA.

Quarter	Actual Amount to be Claimed (Per Detail Provided)	Amount Reported On SEFA	Difference
Q2	\$ 413,970	\$ 418,328	\$ 4,358
Q3	693,325	705,615	12,290
Total Overstatement			\$ 16,648

Cause

Management did not have proper internal controls and policies and procedures in place to ensure that amounts reported on the SEFA were properly reviewed and supported by actual expenditures incurred and reported in their System of Accounting and Reporting (SOAR).

Effect

Without proper internal controls and policies and procedures in place to ensure that amounts reported on the SEFA are properly reviewed and supported by actual expenditures incurred, the Foster Care program incorrectly reported expenditures on the SEFA which resulted in questioned costs of \$16,648 to the grant.

Recommendation

We recommend Management establish controls, policies and procedures that will enable an accurate reconciliation between the expenditures recorded in the SOAR financial accounting system and those reported on the SEFA.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency concurs with the facts of this finding.

To address this finding, when prior period claims for Federal Title IV-E Foster Care funds are made, the Business Services Administration will maintain a back-up detailed analysis supporting the claimed amounts. The analysis will include all positive and negative adjustments that make up the claimed amount, by child, by check and by change in circumstance resulting in the individual adjustment. The claim will tie to this analysis which in turn will tie to amounts reported in the SOAR financial accounting system and on the Schedule of Expenditures of Federal Awards.

<i>Finding Number</i>	2013-060
<i>Prior Year Finding Number</i>	2012-107
<i>Federal Program</i>	Foster Care-Title IV-E (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Special Tests and Provisions for Awards with ARRA Funding: R1 - Separate Accountability for ARRA Funding R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form
<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.

2 CFR §176.210(a) states “To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 “Uniform Administrative Requirements for Grants and Agreements” and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. OMB Circular A-102 is available at <http://www.whitehouse.gov/omb/circulars/a102/a102.html>”.

Additionally, 2 CFR §176.210(b) states “For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. OMB Circular A-133 is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix “ARRA-” in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC.”

Condition

During our initial review of the fiscal year (FY) 2013 Schedule of Expenditures of Federal Awards (SEFA) and ARRA reported for the Foster Care program, we noted the amount per the SEFA did not agree to the detail provided for maintenance expenditures, which resulted in an overstatement of ARRA funds of \$398, as follows:

- For the second lapsing quarter (second quarter of FY 2011), there was an adjustment made for maintenance expenditures claimed. The amount claimed for federal ARRA expenditures and reflected on the SEFA was \$18,288; however, the amount which should have been claimed per a recalculation of actual expenditures per the supporting detail was \$18,097. This error resulted in a \$191 overstatement of the SEFA.

- For the third lapsing quarter (third quarter of FY 2011), there was an adjustment made for maintenance expenditures claimed. The amount claimed for federal ARRA expenditures and reflected on the SEFA was \$11,892; however, the amount which should have been claimed per a recalculation of actual expenditures per the supporting detail was \$11,685. This error resulted in a \$207 overstatement of the SEFA.

Cause

The Foster Care program does not have adequate controls in place over the Special Tests and Provisions for Awards with ARRA Funding compliance R1 - Separate Accountability for ARRA Funding and R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form.

Effect

Without adequate internal controls, prior quarter ARRA claims were incorrectly reported as they did not reconcile to the financial accounting system.

Recommendation

We recommend management establish controls, policies and procedures that will enable an accurate reconciliation between the expenditures recorded in the SOAR financial accounting system and those reported on the SEFA.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency concurs with the facts of this finding.

Although the time to claim Federal Title IV-E funding under the American Recovery and Reinvestment Act has passed, in order to assure accurate calculations for future Federal Title IV-E claiming, the Business Services Administration will maintain a back-up detailed analysis supporting the claimed amounts. The analysis will include all positive and negative adjustments that make up the claimed amount by child, by check and by change in circumstances resulting in the individual adjustment. The claim will tie to this analysis which in turn will tie to amounts reported in the SOAR financial accounting system and on the Schedule of Expenditures of Federal Awards.

<i>Finding Number</i>	2013-061
<i>Prior Year Finding Number</i>	2012-103
<i>Federal Program</i>	Foster Care-Title IV-E (93.658)
<i>Federal Award Number</i>	Various awards
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>District Department</i>	Children and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Eligibility Activities Allowed or Unallowed and Allowable Costs/Cost Principles Matching, Level of Effort and Earmarking
<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 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; (III) 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.”

2 CFR section 215.23(a)(4) states, “All contributions, including cash and third party in-kind, shall be accepted as part of the recipient’s cost sharing or matching when such contribution meet the criteria: Are allowable under the applicable cost principles.”

Condition

The Foster Care program disbursed \$15,181,015 in maintenance expenditures for adoption subsidy payments in fiscal year 2013. During our eligibility compliance testwork, we tested 65 participants, representing disbursed funds totaling \$224,402, and noted the following:

- For 2 of 65 samples, we noted that the youth was over the age of 18 and the Child and Family Services Agency could not provide supporting documentation to demonstrate the youth was working at least 80 hours per month. These subsidy payments represent federal funds of \$15,304.
- For 1 of 65 samples, we noted CFSA could not provide an applicable license, criminal record check and a child abuse registry check for the service period. This subsidy payment represents federal funds of \$963.
- For 1 of 65 samples, we noted CFSA could not provide an applicable license for the service period. This subsidy payment represents federal funds of \$455.

During our Allowability - other than payroll (OTP) compliance testing, we tested 42 participants, representing disbursed funds totaling \$162,600, and noted the following:

- For 3 of 42 samples selected for OTP maintenance expenditures testwork, we were unable to determine that the expenditure was allowable due to a finding in the eligibility testwork. This represents federal funds of \$9,990.

Matching rates are applied when an allowable expenditure is claimed on the quarterly CB-496 Report. Therefore, the above allowability exceptions also resulted in Foster Care being noncompliant with the matching requirement.

Cause

CFSA does not retain the appropriate support for the eligibility and allowable cost determinations. Additionally, CFSA is not able to demonstrate compliance with the matching requirements.

Effect

Without proper retention and maintenance of documentation, CFSA was not able to demonstrate compliance with the eligibility, allowability and matching compliance requirements.

Recommendation

We recommend the District adhere to existing control policies and procedures and maintain appropriate documentation

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$16,722

Total questioned costs equal \$15,304 + 455 + 963. The \$9,990 are not included because these exceptions were included in the other exceptions noted.

Views of Responsible Officials

CFSA does not contest the individual findings; CFSA does, however, contest the “Adverse” finding for Foster Care as announced at the 6/16/14 Exit Conference.

The Audit sample was 65 cases. There are four eligibility findings attributable to three of the 65 cases in the sample. In addition, there are three findings related to “allowability”. The Allowability findings are based solely on the absence of Eligibility in the three cases referenced above. As such, only three of the sixty-five cases had eligibility and/or allowability findings (although some had multiple findings).

At 45 CFR.1356.71.(c),(4), defines the processes and criteria for the ACF “Eligibility Review”. The sample size is announced as “80 cases” and “substantial compliance” is defined as instances in which there are “four or fewer ineligible cases”. This is a threshold of 5%.

Applying exception standards utilized by ACF in the federal “Eligibility Review” to the current A-133 review, there would be only three ineligible cases of the sixty-five sampled. This represents a 4.6% error rate. As such, ACF criteria would find such a result to be “in substantial compliance”.

CFSA asserts that it is improper to render an “Adverse” finding in circumstances in which the cognizant federal agency would find “substantial compliance”.

KPMG’s response

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

<i>Finding Number</i>	2013-062
<i>Prior Year Finding Number</i>	2012-108
<i>Federal Program</i>	Adoption Assistance Title IV-E (93.659)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-I02 Common Rule and 2 Code of Federal Regulations (CFR) part 215 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.

Condition

During our initial review of the FY 2013 Schedule of Expenditures of Federal Awards (SEFA) for the Adoption Assistance program, we noted the amount per the SEFA did not agree to the detail provided for maintenance expenditures as follows:

- For the second lapsing quarter (second quarter of FY 2011), there was an adjustment made for maintenance expenditures claimed. The amount claimed for federal expenditures and reflected on the SEFA was \$33,388; however, the amount which should have been claimed per a recalculation of actual expenditures per the supporting detail was \$22,532. This error resulted in a \$10,856 overstatement of the SEFA.

Cause

Management did not have proper internal controls and policies and procedures in place to ensure that amounts reported on the SEFA were properly reviewed and supported by actual expenditures incurred and reported in their System of Accounting and Reporting (SOAR).

Effect

Without proper internal controls and policies and procedures in place to ensure that amounts reported on the SEFA are properly reviewed and supported by actual expenditures incurred, the Adoption Assistance program incorrectly reported expenditures on the SEFA which resulted in questioned costs of \$10,856 to the grant.

Recommendation

We recommend management establish controls, policies and procedures that will enable an accurate reconciliation between the expenditures recorded in the SOAR financial accounting system and those reported on the SEFA.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency concurs with the facts of this finding.

To address this finding, when prior period claims for Federal Title IV-E Adoption funds are made, the Business Services Administration will maintain a back-up detailed analysis supporting the claimed amounts. The analysis will include all positive and negative adjustments that make up the claimed amount, by child, by check and by change in circumstance resulting in the individual adjustment. The claim will tie to this analysis which in turn will tie to amounts reported in the SOAR financial accounting system and on the Schedule of Expenditures for Financial Award.

<i>Finding Number</i>	2013-063
<i>Prior Year Finding Number</i>	2012-111
<i>Federal Program</i>	Adoption Assistance –Title IV-E (93.659)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Special Tests and Provisions for Awards with ARRA Funding: R1 -Separate Accountability for ARRA Funding R2 -Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form
<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.

2 CFR §176.210(a) states “To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 “Uniform Administrative Requirements for Grants and Agreements” and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. OMB Circular A-102 is available at <http://www.whitehouse.gov/omb/circulars/a102/a102.html>”.

Additionally, 2 CFR §176.210(b) states “For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. OMB Circular A-133 is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix “ARRA-” in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC.”

Condition

During our initial review of the fiscal year (FY) 2013 Schedule of Expenditures for Federal Award (SEFA) for the Adoption Assistance program, we noted the amount per the SEFA did not agree to the detail provided for maintenance expenditures as follows:

- For the second lapsing quarter (second quarter of FY 2011), there was an adjustment made for maintenance expenditures claimed. The amount claimed for federal ARRA expenditures and reflected on the SEFA for FY 2013 was \$2,228; however, the amount which should have been claimed per a recalculation of actual expenditures per the supporting detail was \$1,753. This error resulted in a \$475 overstatement of ARRA funds within the SEFA.

Cause

The Adoption Assistance program does not have adequate controls in place over the Special Tests and Provisions for Awards with ARRA Funding compliance R1 - Separate Accountability for ARRA Funding and R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form.

Effect

Without adequate internal controls, prior quarter ARRA claims were incorrectly reported as they did not reconcile to the financial accounting system.

Recommendation

We recommend management establish controls, policies and procedures that will enable an accurate reconciliation between the expenditures recorded in the SOAR financial accounting system and those reported on the SEFA.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency concurs with the facts of this finding.

Although the time to claim Federal Title IV-E funding under the American Recovery and Reinvestment Act has passed, in order to assure accurate calculations for future Federal Title IV-E claiming, the Business Services Administration will maintain a back-up detailed analysis supporting the claimed amounts. The analysis will include all positive and negative adjustments that make up the claimed amount by child, by check and by change in circumstances resulting in the individual adjustment. The claim will tie to this analysis which in turn will tie to amounts reported in the SOAR financial accounting system and on the Schedule of Expenditures for Financial Award.

Finding Number	2013-064
Prior Year Finding Number	2012-110
Federal Program	Adoption Assistance-Title IV-E (93.659)
Federal Award Number	Various awards
Federal Agency	Department of Health and Human Services
District Department	Child and Family Services Agency (CFSA)
Compliance Requirement	Eligibility Activities Allowed or Unallowed and Allowable Costs/Cost Principles Matching, Level of Effort and Earmarking
Finding Related to ARRA	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.”

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.”

Per 45 CFR section 1356.41(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.”

2 CFR section 215.23(a)(4) states, “All contributions, including cash and third party in-kind, shall be accepted as part of the recipient’s cost sharing or matching when such contribution meet the criteria: Are allowable under the applicable cost principles.”

Condition

The Adoption Assistance program disbursed \$12,544,933 in maintenance expenditures for adoption subsidy payments in fiscal year 2013. During our eligibility compliance testing, we tested 65 participants, representing disbursed funds totaling \$73,918, and noted the following:

- For 1 of the 65 samples, we noted the non-recurring adoption expenses of up to \$2,000 for legal fees, filling costs, placement fees and/or other expenses incurred in the adoption clause was not included/approved within the subsidy agreement. This subsidy payment represented federal funds in the amount of \$990.
- For 1 of the 65 samples, we noted that CFSA could not provide documentation that the child was available for adoption by being in the custody of a public or private child placement agency by way of a voluntary placement, voluntary relinquishment or a court-ordered removal with a judicial determination that remaining at home would be contrary to the child’s welfare. This subsidy payment represented federal funds in the amount of \$1,166.
- For 1 of the 65 samples, we noted that no special needs were documented in the Subsidized Adoption Agreement, Adoption Subsidy Referral or in a Physicians report. This subsidy payment represented federal funds in the amount of \$967.
- For 1 of the 65 samples, we noted the petition for adoption was withdrawn. Additionally, CFSA was not able to provide us with supporting court documentation to show the child was eligible for adoption. This subsidy payment represented federal funds in the amount of \$1,062.
- For 8 of the 65 samples, we noted that CFSA could not provide us with documentation to show the prospective adoptive parent met a criminal records check for the adoptions that took place after October 1, 2008. These subsidy payments represented federal funds in the amount of \$8,208.
- For 15 of the 65 samples, whose adoption took place after October 1, 2006, we noted that CFSA could not provide us with documentation to show the prospective adoptive parent(s) and any other adult living in the home, who has resided in the provider home in the preceding 5 years, met a child abuse and neglect registry check. These subsidy payments represented federal funds in the amount of \$15,698.

During our allowability - other than payroll compliance testing, we tested 62 participants, representing disbursed funds totaling \$71,110 and noted the following:

- For 15 of 62 samples, we were unable to determine whether the expenditure was allowable, due to findings identified in the eligibility testing. Therefore, we determined that the expenditures were not allowable. These subsidy payments represented federal funds in the amount of \$16,108.

In addition, during our matching compliance testing, we noted matching rates are applied when an allowable expenditure is claimed on the quarterly CB-496 Report.

Cause

CFSA does not retain the appropriate support for the eligibility determinations. Additionally, CFSA is not able to demonstrate compliance with the matching requirements.

Effect

Without proper retention and maintenance of documentation, CFSA was not able to demonstrate compliance with the eligibility, allowability and matching compliance requirements.

Recommendation

We recommend that CFSA maintain appropriate documentation to ensure compliance with requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known \$18,916

Total questioned costs equal \$990 + 1,166 + 1,062 + 15,698. The \$967, \$16,110, and \$8,208 are not included because these exceptions were included in the other exceptions noted.

Views of Responsible Officials

For bullet 1st, the Agency concurs with the facts of the finding. To ameliorate this issue, CFSA will ensure that each subsidy agreement include the requisite language to meet IV-E eligibility criteria by completing a thorough review of the agreements prior to tendering the agreement to the prospective adoptive parents.

For bullet 2nd, the Agency concurs with the facts of the finding. In an effort to address this issue, the social worker will review all Court documents upon receipt of an adoption subsidy referral. If an error is identified upon review of said documents the subsidy social worker will contract the appropriate party for corrective action.

For the 3rd bullet, the Agency concurs with the facts of the finding. To address this issue and ensure compliance, CFSA is currently conducting a thorough review of each adoption subsidy record in which Agency has determined a child to be IV-E eligible.

For the 4th bullet, the Agency does not concur with the facts of the finding. The Agency maintains that documentation for all samples, except for 3, was provided. To ensure that criminal record check documentation is accessible, the Agency will strengthen the process governing the review, collection and storage of all documentation which supports eligibility. In addition, CFSA will revise its data response so that information for audit is submitted in a more timely manner.

For the 5th bullet, the Agency does not concur with the facts of the finding. The Agency maintains that documentation for all samples, except for 3, was provided. To ensure that criminal record check documentation is accessible, the Agency will strengthen the process governing the review, collection and storage of all documentation which supports eligibility. In addition, CFSA will revise its data response so that information for audit is submitted in a more timely manner

<i>Finding Number</i>	2013-065
<i>Prior Year Finding Number</i>	2012-112
<i>Federal Program</i>	Children’s Health Insurance Program (93.767)
<i>Federal Award Number</i>	1305DC5021
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<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;...*”

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.

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 FY 2013 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 Department of Human Services was unable to provide sufficient documentation to support the eligibility determination for 45 samples. We determined that the District paid \$7,071 in Federal awards during FY2013 for claims related to those 45 CHIP beneficiaries tested. This amount represents 74.94% of the total amounts paid by the District in FY 2013 for claims related to the 65 CHIP beneficiaries sampled of \$9,126. The District paid a total of \$14,403,002 in federal awards to CHIP beneficiaries in FY 2013.

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.

Recommendations

We recommend that the District follow their 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 scanning all beneficiary files into the Document Imaging Management System (DIMS) to allow for the files to be available electronically.

Related Noncompliance

Unable to conclude due to scope limitation issued related to this requirement.

Questioned Costs

Not determinable

Views of Responsible Officials

DHS agrees with the auditor's findings that it was not able to provide sufficient documentation to support eligibility determination for some cases. DHS will continue to scan all new and any existing paper documents into DIMS. The District has space limitations at the Service Centers and therefore must house documents at several locations. Additionally, some of the ESA Service Centers are under construction. These transitions, too, required the movement of case files to locations other than the 'temporary' service centers. Consequently, it was difficult to locate documents that were tagged to be scanned and indexed into DIMS.

The District has already executed strategies to ensure full compliance with records maintenance policies and initiated a records search wherein, employees were identified to search the various storage areas for the customer documentations. This search has been fruitful and cases are being located. This records search effort will be ongoing. Other strategies to comply with records maintenance include:

Manifest Tracking

There is a plan to prepare a manifest of the fiscal years housed at each storage location. This will inform searches and reduce time required to retrieve documents.

Quickbase Tracking

DHS plans to initiate a new Quickbase tracking system called, 'Case Record Management Tracking System', which will be used to record all documents received in the Case Records Management Unit (CRMU) and its storage location.

KPMG's Response

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

<i>Finding Number</i>	2013-066
<i>Prior Year Finding Number</i>	2012-113
<i>Federal Program</i>	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)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	U.S 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>	No

Criteria

Per the Committee of Sponsoring Organizations (COSO) *Volume II Guidance on Monitoring Internal Control Systems*, internal controls “ensure that necessary actions are taken to address risk to achieving objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approval, authorizations, verifications, reconciliation, reviews of operating performance, security of assets, and segregation of duties.”

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 reasonable ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

Personnel at the Department of Human Services are responsible for determining beneficiary eligibility for the Medicaid, CHIP, TANF, and SNAP programs. In order to determine eligibility, the DHS Social Service Representatives (SSRs) record personal 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, renewal of benefits). Case actions including initial determination of eligibility can be recorded into ACEDS by all SSRs, however only SSRs with “authority to act” can record actions without supervisory review and approval.

During our tests of design and implementation of internal controls over the eligibility process we inquired about SSRs with and without the authority to act. We noted a lack of segregation of duties as SSRs with authority to act have the ability to both record and authorize beneficiary case actions in ACEDS. Additionally, we noted management did not consistently document their review and approval of the listing of SSRs with the authority to act. Specifically, we noted cases for Medicaid, SNAP and TANF in which changes were both initiated and approved by one individual whom was not included on the listing obtained of SSRs with the authority to act.

Cause

The DHS does not have adequate segregation of duties in place for those SSRs with the ability to authorize and record beneficiary cases, nor do they have a systematic process in which individuals with these rights are periodically reviewed (i.e., those with “authority to act”).

Effect

Beneficiary cases recorded and authorized by an SSR with the authority to act could be erroneous and / or inappropriate. Additionally, individuals may have authority be able to make unauthorized changes.

Recommendation

We recommend that DHS strengthen its current policies and procedures to require the SSR duties of recording and authorizing to be segregated. As an alternative, we recommend that DHS strengthen its current monitoring controls to adequately address that SSRs can record changes into ACEDS without supervisory review and approval.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

During the past year, DHS has made changes to the supervisory and quality reviews of SSRS with authority to act. DHS increased the number of supervisory case reviews, a process put in place to ensure the accuracy and quality of eligibility decisions made by SSRs. This monitoring process, which entails three levels of review by supervisors and managers, facilitates the assurance of program accuracy and adherence to policies and procedures by SSRs, including those that have authority to act. This process was established October 1, 2010 and has been recently updated to include sample sizes and criteria for TANF reviews. In addition, DHS is working with its contractor, Infosys, during the development of the new eligibility system to further strengthen monitoring controls through the use of technology.

However, DHS disagrees with the statement “Additionally, we noted management did not consistently document their review and approval of the listing of SSRs with the authority to act. Specifically, we noted cases for Medicaid, SNAP and TANF in which changes were both initiated and approved by one individual whom was not included on the listing obtained of SSRs with the authority to act.” A review of the case history and our records indicates that the case changes initiated and approved by the SSR were appropriate, as the SSR had authority to act during the period when the action was taken. The authority to act was removed by management on 6/4/2013. DHS monitors staff and updates the list for Authority to Act on a routine basis. DHS will continue to enhance the monitoring controls to improve the accuracy of eligibility decisions and program integrity.

KPMG’s Response

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

<i>Finding Number</i>	2013-067
<i>Prior Year Finding Number</i>	2012-116
<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 (HHS)
<i>District Department</i>	Department of Health Care Finance (DHCF)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission-Internal Control Integrated Framework states that, “*The Internal control systems need to be monitored—a process that assess the quality of the system’s performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on a an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.*”

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 tests of internal controls over management’s review of the FY2013 Statements on Standards for Attestation Engagements (SSAE) No. 16 Reports, we noted that management does not have a formal process in place to review the Medicaid Management Information Systems (MMIS) service auditor’s report, as it relates to the complementary customer agency controls that should be in place at the District.

Cause

Management does not have adequate policies and procedures in place to review the MMIS service auditor’s report, as it relates to the complementary customer agency controls that should be in place at the District.

Effect

Management is unable to provide documentary evidence to support the timely review of the service auditor’s report. Management may be unaware or unresponsive to deficiencies that are identified through the service auditor’s report. Management may also not be fully considering whether it has sufficient end-user (i.e. complementary) controls in place.

Recommendation

We recommend that the District formalize the process by which it obtains and reviews SSAE16 reports to evaluate the deficiencies and end-user complementary controls noted in the individual reports, and how any identified deficiencies may impact the District to ensure the appropriate controls are in place to mitigate those deficiencies.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The District disagrees with this finding. The audit team was presented with a copy of a memo to show that it did review the SSAE report and implemented procedures to address the complementary customer agency controls.

KPMG Response

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

<i>Finding Number</i>	2013-068
<i>Prior Year Finding Number</i>	2012-114
<i>Federal Program</i>	Medicaid Cluster (93.775, 93.777, 93.778); Children’s Health Insurance Program (CHIP) (93.767)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health & Human Services (HHS)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

Per the Committee of Sponsoring Organizations (COSO) *Volume II Guidance on Monitoring Internal Control Systems*, internal controls “ensure that necessary actions are taken to address risks to achieving objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, *reviews of operating performance, a security of assets, and segregation of duties.*”

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 tests of the design and implementation of internal controls over the management review of exception reports from the interface of the Automated Client Eligibility Determination System (ACEDS) and the Medicaid Management Information System (MMIS), we noted that DHS does not retain adequate documentation to support the review of the daily response files. DHS did not maintain documentary evidence that the review was performed between October 2012 and July 2013.

We also noted one exception in the August 28, 2013 report review where the case that was marked reviewed however the corresponding change in ACEDS was not made.

Cause

Management does not have adequate policies and procedures in place to support the timely review and resolution of exceptions identified in the ACEDS to MMIS interface. Management did not follow up on whether the exceptions were corrected by program analysts timely. Additionally, DHS management does not retain the documentation to support its review of the daily response files. This was due to the relocation of its offices.

Effect

Failure to review and resolve exceptions from ACEDS to MMIS interface could result in errors in Medicaid and / or CHIP benefits processing.

Recommendation

We recommend that DHS revise existing policies to formalize the portions related to document retention, specific review criteria, and secondary review in order to assist with tracking and resolving exceptions identified through the interface.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

MMIS Exception Reports that identify possible problems are reviewed by a DIS Supervisory Program analyst. When problems are identified the appropriate action is taken by the Analyst. DIS will formalize as written policy the process for addressing possible problems identified in the MMIS Exception Reports.

Beginning with FY 2014, DIS will retain all MMIS Exception Reports and the documented responses to the reports from the previous fiscal year for one year.

<i>Finding Number</i>	2013-069
<i>Prior Year Finding Number</i>	2012-117
<i>Federal Program</i>	Medicaid Cluster (93.775, 93.777, 93.778)
<i>Federal Award Number</i>	1205DC5ADM; 1205DC5MAP
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health Care Finance
<i>Compliance Requirement</i>	Special Tests and Provisions – Utilization Control and Program Integrity
<i>Finding Related to ARRA</i>	No

Criteria

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 (i.e. Report of Investigations) 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.*

Per the Committee of Sponsoring Organizations (COSO) *Volume II Guidance on Monitoring Internal Control Systems*, internal controls “ensure that necessary actions are taken to address risks to achieving objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.”

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 OMB A-133 Compliance Supplement requires that the State plan provide methods and procedures to safeguard against unnecessary utilization of care and services, including those provided by long-term care institutions. In addition, the State must have: (1) methods of criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials. And that suspected fraud identified by utilization control and program integrity should be referred to the State Medicaid Fraud Control Units.

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.

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) or other law enforcement agencies. The investigators prepare a Report of Investigations and either close the preliminary investigation or refer the case to any or all of these agencies in a Referral Memo.

During our testing over utilization control and program integrity for the Medicaid program, we noted the following deficiencies in the investigations process:

- For 3 in a sample of 9 cases, the Report of Investigations was not signed by the lead investigator.
- For 1 of 9 cases, the case was recommended for referral by the lead investigator, however, DHCF was unable to support whether the case was referred to the appropriate agency.
- For 1 of 9 cases, the Report of Investigations was not provided.

Cause

Management did not enforce the 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.

Effect

Suspected fraud cases may not be properly investigated and referred to the MFCU or other law enforcement agencies for review.

Recommendation

We recommend that the District enforce its current policies and procedures with respect to the review and approval of the closing documents. Additionally, we recommend the District include within its policies and procedures the appropriate documentation, at a minimum, that must be included in the case files to support the conclusion and establish guidelines.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

DHCF concurs with the finding and is in the process of establishing guidelines for the criteria on what should be included in all case files that are either referred or administratively closed. In addition, DHCF is in the process of looking for a case tracking system that will automate the process of case retrieval, storage and documentation. Management will ensure that documentation required for case referral or administrative closure is contained in each case file by monthly file review.

<i>Finding Number</i>	2013-070
<i>Prior Year Finding Number</i>	2012-118
<i>Federal Program</i>	Medicaid Cluster (93.775, 93.777, 93.778)
<i>Federal Award Number</i>	1305DC5ADM; 1305DC5MAP
<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>	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.*”

Per the Department of Human Services 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

During testing over beneficiary eligibility for the Medical Assistance Program (Medicaid), we selected a sample of 108 payments from the total population of FY2013 Medicaid claims payments. We then tested compliance with Medicaid eligibility requirements for the beneficiaries related to those 108 claims payments. Within our sample of 108, we noted that the Department of Human Services was unable to provide sufficient documentation to support the eligibility determination for four (4) samples. We determined that the District paid \$136,345 in federal awards during FY2013 for the tested claims related to those four (4) Medicaid beneficiaries. This amount represents 2.16% of the total amounts paid by the District in FY2013 for claims related to the 108 Medicaid beneficiaries sampled of \$6,270,782. The District paid a total of \$1,597,845,393 in federal awards to Medicaid beneficiaries in FY2013.

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 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 follow their 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 scanning all beneficiary files into the Document Imaging Management System (DIMS) to allow for the files to be available electronically.

Related Noncompliance

Noncompliance

Questioned Costs

Known \$136,345

Views of Responsible Officials

DHS agrees with the auditor's findings that it was not able to provide sufficient documentation to support eligibility determination for some cases. DHS will continue to scan all new and any existing paper documents into DIMS. The District has space limitations at the Service Centers and therefore must house documents at several locations. Additionally, some of the ESA Service Centers are under construction. These transitions, too, required the movement of case files to locations other than the 'temporary' service centers. Consequently, it was difficult to locate documents that were tagged to be scanned and indexed into DIMS.

The District will follow its policies and procedures for maintain case record documentation and improve controls over monitoring and compliance. ESA has already executed strategies to ensure full compliance with records maintenance policies and initiated a records search wherein, employees were identified to search the various storage areas for the customer documentations. This search has been fruitful and cases are being located. This records search effort will be ongoing. Other strategies to comply with records maintenance include:

Manifest Tracking

There is a plan to prepare a manifest of the fiscal years housed at each storage location. This will inform searches and reduce time required to retrieve documents.

Quickbase Tracking

DHS plans to initiate a new Quickbase tracking system called, 'Case Record Management Tracking System', which will be used to record all documents received in the Case Records Management Unit (CRMU) and its storage location.

KPMG's Response

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

<i>Finding Number</i>	2013-071
<i>Prior Year Finding Number</i>	2012-128
<i>Federal Program</i>	HIV Emergency Relief Grants (93.914)
<i>Federal Award Number</i>	2 H89HA00012-23-00 (3/1/13-2/28/14) 2 H89HA00012-22-00 (3/1/12-2/28/13)
<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

During our fiscal year 2013 testing over allowability for the HIV Emergency Relief Grant (HIVER) program, we noted that DOH continued to allocate payroll expenditures for employees who worked on multiple cost objectives based on predetermined percentages entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the 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 to the actual hours incurred, and make any necessary adjustment as required by OMB Circular A-87 B8 (h).

Cause

DOH 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. The District has been in the process of implementing "combo codes" in PeopleSoft that would allow employees to track their time across multiple costs objectives. However, the "combo codes" had not been implemented by the end of fiscal year 2013.

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

We recommend that management continues with its plans to implement the new version of PeopleSoft. 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

Not determinable. However, payroll costs, including fringe benefits, for HIVER in FY 2013 were \$1,624,046.

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding. DOH will follow through on the recommendation of this report and its existing plan to implement an agency-wide policy, procedure and compliance monitoring protocols for time and effort reporting for staff assigned to multiple cost objectives. DOH's plan to require utilization of the combo code function of the existing PeopleSoft payroll system has not changed. FY 13 activities supported configuration of the system, planning of phased piloting and roll-out and full implementation in FY14. DOH Office of the Director has convened a senior management team comprised of agency leads for human resources, grants management, IT and finance to ensure that this deficiency is fully remedied.

<i>Finding Number</i>	2013-072
<i>Prior Year Finding Number</i>	2012-133
<i>Federal Program</i>	HIV Emergency Relief Grants (93.914)
<i>Federal Award Number</i>	2 H89HA00012-23-00 (3/1/13-2/28/14) 2 H89HA00012-22-00 (3/1/12-2/28/13)
<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

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."

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 24 subrecipients with total expenditures of \$29,608,603 for fiscal year 2013. As part of our testing over the subrecipient monitoring compliance requirement, we selected a sample of eight subrecipients for testing that had total expenditures of \$15,856,588. Based on our testing, we identified the following exceptions:

- For one of the eight subrecipients, DOH did not ensure that a corrective action was implemented to address deficiencies noted during the on-site monitoring activities.
- For one of the eight subrecipients, we noted that the required FY 2012 OMB Circular A-133 audit report was completed and submitted six months late. The report was due on September 30, 2013; however, DOH did not perform adequate monitoring or follow-up to ensure the required audit report was timely completed and submitted.
- For one of the eight subrecipients, supporting documentation could not be provided evidencing that a corrective action plan was implemented on all OMB-A-133 audit findings reported.

Cause

DOH did not have sufficient monitoring policies and procedures in place to ensure corrective action plans be implemented by subrecipients when deficiencies are noted during the on-site monitoring activities.

In addition, DOH did not have a process in place to monitor subrecipients subject to OMB Circular A-133 to ensure the related audit reports were completed and submitted timely and that any necessary corrective action plans were implemented by the subrecipient when deficiencies were identified.

Effect

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

Recommendation

We recommend DOH:

1. Adhere to its existing policies and procedures regarding the on-site monitoring process and that correction action plans are implemented to address any deficiencies identified during the on-site monitoring activities; and to
2. Develop and implement a process to monitor subrecipients to ensure their OMB Circular A-133 audit reports are timely completed and submitted, and that correction action plans are implemented to address any deficiencies identified in the audit reports.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding. While DOH personnel documented on-going communication with subgrantees and followed agency protocols regarding site visits, management evaluations and review of the status and results of subgrantee A133 reports, DOH internal controls did not fully mitigate risks and incidents of lack of follow-up in those instances where deficiencies or non-compliance were documented by a monitor or third-party review. Immediately, DOH will direct resources to training and skill-building on conducting risk assessments and following-up with remediation and corrective actions. Additionally, existing formats and processes will directly address responsible personnel scheduling the receipt, review and follow-up actions related to A-133. Office of Grants Management has identified a uniform A-133 certification template for use with requests for applications, grant agreements and monitoring plans.

The more comprehensive plan continues to be implemented in FY14 and is in its planning phase: the development of an Electronic Grants Management Solution (EGMS) which will create an on-line environment for managing routine oversight and federal grant and subgrant monitoring processes. This plan is committed and will strengthen internal controls, documentation of routine monitoring transaction and increased capacity to monitor compliance.

<i>Finding Number</i>	2013-073
<i>Prior Year Finding Number</i>	2012-130
<i>Federal Program</i>	HIV Emergency Relief Grants (93.914)
<i>Federal Award Number</i>	2 H89HA00012-23-00 (3/1/13-2/28/14) 2 H89HA00012-22-00 (3/1/12-2/28/13)
<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 and 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."

Code 42 USC (U.S. Code) 300ff-14(h)(1) requires "...each political subdivision within eligible metropolitan areas (EMAs) and transitional grant areas (TGAs) to maintain its level of expenditures for HIV-related services to individuals with HIV disease (or, effective with FY2007 awards, core and support services) at a level equal to its level of such expenditures for the preceding fiscal year. Political subdivisions within the EMA or TGA may not use funds received under the HIV grants to maintain the required level of HIV-related services (42 USC 300ff-15(a)(1)(B) and (C))."

Title 42 of the United States Code (USC), Section 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 April 1, 2012 through March 31, 2013 that was used to calculate the earmarking requirement; however, they were 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:

- Implement a process to monitor the types of expenditures subject to earmarking throughout the year; and to
- Develop policies and procedures to specify what documentation should be maintained to support the how the earmarking requirements were met.

Related Noncompliance

Unable to conclude due to scope limitation issued relating to this compliance requirement.

Questioned Costs

Not determinable

Views of Responsible Officials

The District of Columbia Department of Health (DOH) concurs with this finding and accepts the recommendations. In this instance, earmarking results reported to the federal grantor were not fully supported by the data maintained by monitors and managers via workbooks. Note that currently the monitors' workbooks are indeed designed to report and monitor budget to actual expenditures of the earmarked portions of the award and these are reviewed by managers and consolidated into summary reports; however, there is a reliance upon manual input and manual migration of that data into review, approval and reporting templates for service categories, including those earmarks.

DOH will immediately address controls for data entry, management review and validation of Minority HIV/AIDS Initiative (MAI) expenditure reports. Additionally, the procedures will address a mandatory approval flow of interim and final reports. This will be done through a revision of standard operating procedures. Also, DOH is currently developing an electronic grants management system (EGMS) which will maintain budget to actual workbooks for all HIV Emergency Relief Grants service categories, including the MAI portion of the grant.

<i>Finding Number</i>	2013-074
<i>Prior Year Finding Number</i>	2012-119
<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 X07HA00045-22-00 (4/1/12-3/31/13)
<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

During our fiscal year 2013 testing over allowability for the HIV Care Formula Grant (HIV Care) program, we noted that DOH continued to allocate payroll expenditures for employees who worked on

multiple cost objectives based on predetermined percentages entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the 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 to the actual hours incurred, and make any necessary adjustment as required by OMB Circular A-87 B8 (h).

Cause

DOH 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. The District has been in the process of implementing "combo codes" in PeopleSoft that would allow employees to track their time across multiple costs objectives. However, the "combo codes" had not been implemented by the end of fiscal year 2013.

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 continues with its plans to implement the new version of PeopleSoft. 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

Not determinable. However, payroll costs, including fringe benefits, for HIV Care in FY 2013 were \$1,915,468.

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding. DOH will follow through on the recommendation of this report and its existing plan to implement an agency-wide policy, procedure and compliance monitoring protocols for time and effort reporting for staff assigned to multiple cost objectives. DOH's plan to require utilization of the combo code function of the existing PeopleSoft payroll system has not changed. FY 13 activities supported configuration of the system, planning for phased piloting and roll-out and full implementation in FY14. DOH Office of the Director has convened a senior management team comprised of agency leads for human resources, grants management, IT and finance to ensure that this deficiency is fully remedied.

<i>Finding Number</i>	2013-075
<i>Prior Year Finding Number</i>	2012-127
<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 X07HA00045-22-00 (4/1/12-3/31/13)
<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

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".

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 HIV Care program had 24 subrecipients with total expenditures of \$4,235,397 during fiscal year 2013. As part of our testing over the subrecipient monitoring compliance requirement, we selected a sample of eight subrecipients for testing that had total expenditures \$3,059,929. Based on our testing, we identified the following exceptions:

- For one sample out of eight, DOH did not ensure that a corrective action was implemented by the subrecipient for deficiencies noted during the on-site monitoring activities.
- For one sample out of eight, we noted that the required FY 2012 OMB Circular A-133 audit report was completed and submitted six months late. The report was due on September 30, 2013; however, DOH did not perform adequate monitoring or follow-up to ensure the required audit report was timely completed and submitted.
- For one sample of eight, DOH notified the subrecipient of the required OMB-A-133 audit; however, DOH did not perform adequate follow-up or take appropriate action against the subrecipient to ensure the required OMB-A133 audit was completed.

Cause

DOH did not have sufficient monitoring policies and procedures in place to ensure corrective action plans be implemented by subrecipients when deficiencies are noted during the on-site monitoring activities.

In addition, DOH did not have a process 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 monitoring controls, DOH is not able to ensure that subrecipients are complying with the grant requirements.

Recommendation

We recommend DOH:

1. Adhere to its existing policies and procedures regarding the on-site monitoring process and that correction action plans are implemented to address any deficiencies identified during the on-site monitoring activities; and to
2. Develop and implement a process to monitor subrecipients to ensure their OMB Circular A-133 audit reports are submitted timely.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding. While DOH personnel documented on-going communication with subgrantees and followed agency protocols regarding site visits, management evaluations and review of the status and results of subgrantee A133 reports, DOH internal controls did not fully mitigate risks and incidents of lack of follow-up in those instances where deficiencies or non-compliance were documented by a monitor or third-party review. Immediately, DOH will direct resources to training and skill-building on conducting risk assessments and following-up with remediation and corrective actions. Additionally, existing formats and processes will directly address responsible personnel scheduling the receipt, review and follow-up actions related to A-133. Office of Grants Management has identified a uniform A-133 certification template for use with requests for applications, grant agreements and monitoring plans.

The more comprehensive plan continues to be implemented in FY14 and is in its planning phase: the development of an Electronic Grants Management Solution (EGMS) which will create an on-line environment for managing routine oversight and federal grant and subgrant monitoring processes. This plan is committed and will strengthen internal controls, documentation of routine monitoring transaction and increased capacity to monitor compliance.

<i>Finding Number</i>	2013-076
<i>Prior Year Finding Number</i>	2012-122
<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 X07HA00045-22-00 (4/1/12-3/31/13)
<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

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.

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, we noted a review of the eligibility re/determinations were not performed by someone other than the individual determining eligibility

Additionally, we selected a sample of 65 individuals that received benefits during FY 2013 and noted the following:

- For 13 of the 65 individuals selected for testing, the semi-annual redeterminations were not performed by DOH. Therefore, we could not determine if the individual remained eligible to receive ADAP benefits during the period for which no determination was performed.
- For 1 of the 65 individuals selected for testing, DOH was unable to provide documentation to support that the individual was low income. 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.

Also, DOH did not have sufficient policies and procedures in place to monitor participants to ensure the required semi-annual redeterminations were completed or to maintain required documentation used in determining eligibility.

Effect

Without proper controls over eligibility redeterminations, there is an increased risk that ineligible participants may receive benefits under the HIV Care grant. Additionally, the DOH was not in compliance with the eligibility compliance requirements.

Recommendation

We recommend that management:

- Develop policies and procedures that require management to perform a quality control review of eligibility determinations;
- Develop policies and procedures to monitor participants to ensure required redeterminations are completed; and to
- Adhere to existing policies and procedures related to maintaining the documentation required to determine eligibility of a participant.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable.

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding and determinations. Moving forward, HAHSTA will develop more efficient controls and compliance monitoring via routine sampling to oversee procedures for determining and documenting client eligibility for ADAP services.

To address the (1 of 65) exception cited in this finding, HAHSTA will immediately determine if client eligibility has been confirmed for the condition noted above. Important consideration: HAHSTA will have to review the specific cases (13 of 65) cited as exceptions. Since the EMDEON system employed in the year 2012 for ADAP enrollment encompassed a grace eligibility period of 2 months, it is not clear which semi-annual redeterminations are in question for the participants as noted in the audit review of the client data. HAHSTA will review this and move forward with corrections as required. The DOH Office of the Director, Office of Grants Management will seek resources, including technical assistance for program leads on the development of standard operating procedures and quality assurance for the client eligibility review.

<i>Finding Number</i>	2013-077
<i>Prior Year Finding Number</i>	2012-126
<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 X07HA00045-22-00 (4/1/12-3/31/13)
<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, and 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, 2012 through March 31, 2013 that was used to calculate the earmarking requirement; however, they were 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:

- Implement a process to monitor the types of expenditures subject to earmarking throughout the year; and
- Develop policies and procedures to specify what documentation should be maintained to support the how the earmarking requirements were met.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable.

Views of Responsible Officials

The District of Columbia Department of Health (DOH) concurs with this finding and accepts the recommendation. In this instance, earmarking results reported to the federal grantor were not fully supported by the data maintained by monitors and managers via workbooks. Note that currently the monitors’ workbooks are indeed designed to report and monitor budget to actual expenditures for the earmarked portions of the award and these are reviewed by managers and consolidated into summary

reports; however, there is a reliance upon manual input and manual migration of the data into review, approval and reporting templates for service categories, including those earmarked.

DOH will immediately address controls for data entry, management review and validation of reports for earmarked portions of the grant. Additionally, the procedures will address a mandatory approval flow for interim and final reports. This will be done through a revision of standard operating procedures. Also, DOH is currently developing an electronic grants management system (EGMS) which will maintain budget to actual workbooks for all HIV Care Formula grant service categories, including earmarked portions of the grants.

<i>Finding Number</i>	2013-078
<i>Prior Year Finding Number</i>	NA
<i>Federal Program</i>	Special Education Cluster (CFDA #84.027, 84.173)
<i>Federal Award Number</i>	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 and 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

Through our testing of DCPS' maintenance of effort (MOE) calculations, we determined that DCPS incurred \$95.6 million in local expenditures (which accounted for allowable adjustments) for the education of children with disabilities during fiscal year 2012. These expenditures were \$2.4 million more than fiscal year 2013 local expenditures of \$93.2 million. As a result, the MOE requirement was not met in fiscal year 2013.

Cause

Per DCPS management, the transition of students from private schools into DCPS schools caused an unusual increase in expenditures for the education of children with disabilities in fiscal year 2012. DCPS excluded these expenditures from their calculation of fiscal year 2012 local expenditures to determine if they met the maintenance of effort requirement in fiscal year 2013. However, DCPS could not demonstrate that they met the allowance criteria listed in 34 CFR Section 300.203 and 300.204 for excluding those expenditures.

Effect

The District was not in compliance with the requirements of 34 CFR Section 300.203 and 300.204.

Recommendation

We recommend that DCPS program management monitor its non-federal expenditures for the education of children with disabilities during the budget development process and throughout the fiscal year to determine whether MOE requirements will be met. If MOE requirements will not be met, we recommend that DCPS work with the District's Office of the State Superintendent of Education and the U.S. Department of Education to determine the most appropriate resolution.

Questioned Costs

\$2.4 million, which is the amount by which the MOE was not met.

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

DCPS states that the cause as stated above is the explanation for the increase in expenses for FY 2012 and the decrease in FY2013. Once the returning non-public students were integrated into the overall school system the initial one-time costs did not continue, which resulted in a decrease in our overall expenses. We will continue to review those expenses in the event there needs to be further adjustments to the MOE. The unique events in that time period included the closing of a large non-public special education school (Rock Creek Academy) and the significant increase in other non-public students returning to DCPS. It is our concern that there may be instances in the future where due to extenuating circumstances, special education expenses may exceed regular operating expense for a short time and inflate the MOE threshold. In these circumstances, we will document the changes and work closely with the District's Office of the State Superintendent of Education and the U.S. Department of Education to determine the most appropriate resolution. In addition, as a matter of practice DCPS will continue to monitor its non-federal expenditures for the education of children with disabilities during the budget development process and throughout the fiscal year to determine whether MOE requirements will be met.