



Government of the District of Columbia

Schedule of Expenditures of Federal
Awards and Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2009

Government of the District of Columbia

Schedule of Expenditures of Federal
Awards and Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2009

Government of the District of Columbia

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** (the District), as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. Significant deficiencies in internal control over financial reporting are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2009-01 through 2009-03.

- I. District of Columbia Public Schools – Payroll.
- II. Management of the Medicaid Program.
- III. Office of Tax and Revenue.



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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described earlier is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2009-04 through 2009-06.

- I. Noncompliance with Procurement Regulations.
- II. Noncompliance with the Quick Payment Act.
- III. Expenditures in Excess of Budgetary Authority.

We also noted additional matters which we have reported to management of the District in a separate letter dated January 28, 2010. The status of prior year instances of significant deficiencies, material weaknesses, and material noncompliance is presented below:

Nature of Comment	Type of Comment in Fiscal Year 2008	Current Year Status
Treasury Functions	Material Weakness	Control Deficiency
Management of the Medicaid Program	Material Weakness	Significant Deficiency
Compensation	Significant Deficiency	Control Deficiency
Office of Tax and Revenue	Significant Deficiency	Significant Deficiency
District of Columbia Public Schools	Significant Deficiency	Partially Corrected; Significant Deficiency - Payroll
Management of the Postretirement Health and Life Insurance Trust	Significant Deficiency	Control Deficiency
Noncompliance with Procurement Regulations	Material Noncompliance	Material Noncompliance



Nature of Comment	Type of Comment in Fiscal Year 2008	Current Year Status
Noncompliance with the Quick Payment Act	Material Noncompliance	Material Noncompliance
Noncompliance with the Financial Institutions Deposit and Investment Amendment Act	Material Noncompliance	Not Repeated
Expenditures in Excess of Budgetary Authority	Material Noncompliance	Material Noncompliance

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

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

BDO Seidman, LLP

Washington, D.C.
January 28, 2010



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

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

Compliance

We have audited the compliance of the **Government of the District of Columbia** (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

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

Finding No.	CFDA No.	Compliance Requirement
2009-07	93.775, 93.778	Allowable Costs
2009-08	93.775, 93.778	Allowable Costs
2009-09	93.767	Cash Management

Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2009-10	93.775, 93.778	Cash Management
2009-11	93.767	Eligibility
2009-12	93.775, 93.778	Eligibility
2009-13	93.775, 93.778	Eligibility
2009-14	14.241	Cash Management
2009-15	93.069	Cash Management
2009-16	93.914	Cash Management
2009-17	93.917	Cash Management
2009-18	93.940	Cash Management
2009-19	93.926	Eligibility
2009-21	93.069	Procurement, Suspension, and Debarment
2009-22	84.126, 84.390	Cash Management
2009-23	96.001	Cash Management
2009-24	84.126, 84.390	Eligibility
2009-25	84.126, 84.390	Procurement, Suspension, and Debarment
2009-26	96.001	Procurement, Suspension, and Debarment
2009-28	93.563	Cash Management
2009-29	93.563	Procurement, Suspension, and Debarment
2009-33	93.600	Allowable Costs
2009-34	93.600	Cash Management
2009-36	93.600	Matching, Level of Effort, Earmarking
2009-37	93.600	Period of Availability
2009-38	93.600	Reporting
2009-39	93.600	Subrecipient Monitoring
2009-40	93.600	Special Tests and Provisions: Governing Body Composition
2009-43	93.658	Allowable Costs
2009-44	93.659	Allowable Costs
2009-45	93.658	Cash Management
2009-46	93.659	Cash Management
2009-47	93.658	Eligibility
2009-48	93.659	Eligibility
2009-49	93.658	Procurement, Suspension, and Debarment
2009-50	93.658	Subrecipient Monitoring
2009-51	93.558	Allowable Costs
2009-52	93.558	Allowable Costs
2009-53	10.551, 10.561	Cash Management
2009-54	93.558	Cash Management
2009-55	93.569	Cash Management
2009-56	93.558	Eligibility
2009-57	10.551, 10.561	Procurement, Suspension, and Debarment
2009-58	93.558	Procurement, Suspension, and Debarment
2009-59	93.558	Reporting
2009-60	93.558	Subrecipient Monitoring
2009-62	17.225	Cash Management
2009-63	17.225	Eligibility
2009-64	17.225	Reporting



Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2009-65	97.036	Allowable Costs
2009-66	97.067	Allowable Costs
2009-68	97.067	Period of Availability
2009-69	97.067	Procurement, Suspension, and Debarment
2009-70	97.067	Reporting
2009-71	97.067	Special Tests and Provisions: Supplement not Supplant
2009-72	84.027, 84.173	Allowable Costs
2009-73	10.558	Cash Management
2009-74	84.010	Cash Management
2009-75	84.027, 84.173	Cash Management
2009-76	84.282	Cash Management
2009-77	84.367	Cash Management
2009-78	93.596	Cash Management
2009-79	93.596	Eligibility
2009-80	84.010	Matching, Level of Effort, Earmarking
2009-81	84.367	Matching, Level of Effort, Earmarking
2009-82	84.010	Reporting
2009-83	10.558	Subrecipient Monitoring
2009-84	93.596	Subrecipient Monitoring
2009-85	84.010	Allowable Costs
2009-86	84.367	Allowable Costs
2009-87	84.010	Matching, Level of Effort, Earmarking
2009-88	84.027, 84.173	Matching, Level of Effort, Earmarking
2009-89	84.367	Matching, Level of Effort, Earmarking
2009-90	84.010	Procurement, Suspension, and Debarment

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to in the first paragraph of this report that are applicable to each of its major federal programs for the year ended September 30, 2009, other than those discussed in the following paragraph.

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

Finding No.	CFDA No.	Compliance Requirement
2009-27	96.001	Reporting
2009-30	93.563	Special Tests and Provisions: Provision of Child Support Services for Interstate Initiating Cases
2009-31	93.563	Special Tests and Provisions: Establishment of Paternity and Support Obligations
2009-61	93.558	Special Tests and Provisions: Child Support Non-Cooperation



Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-07 through 2009-90 to be significant deficiencies.

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

Finding No.	CFDA No.	Compliance Requirement
2009-09	93.767	Cash Management
2009-10	93.775, 93.778	Cash Management
2009-11	93.767	Eligibility
2009-12	93.775, 93.778	Eligibility
2009-14	14.241	Cash Management
2009-15	93.069	Cash Management
2009-16	93.914	Cash Management
2009-17	93.917	Cash Management
2009-18	93.940	Cash Management
2009-21	93.069	Procurement, Suspension, and Debarment
2009-22	84.126, 84.390	Cash Management
2009-23	96.001	Cash Management
2009-24	84.126, 84.390	Eligibility
2009-25	84.126, 84.390	Procurement, Suspension, and Debarment
2009-26	96.001	Procurement, Suspension, and Debarment
2009-28	93.563	Cash Management

Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2009-29	93.563	Procurement, Suspension, and Debarment
2009-33	93.600	Allowable Costs
2009-34	93.600	Cash Management
2009-36	93.600	Matching, Level of Effort, Earmarking
2009-37	93.600	Period of Availability
2009-39	93.600	Subrecipient Monitoring
2009-45	93.658	Cash Management
2009-46	93.659	Cash Management
2009-47	93.658	Eligibility
2009-48	93.659	Eligibility
2009-49	93.658	Procurement, Suspension, and Debarment
2009-50	93.658	Subrecipient Monitoring
2009-51	93.558	Allowable Costs
2009-52	93.558	Allowable Costs
2009-53	10.551, 10.561	Cash Management
2009-54	93.558	Cash Management
2009-55	93.569	Cash Management
2009-56	93.558	Eligibility
2009-57	10.551, 10.561	Procurement, Suspension, and Debarment
2009-58	93.558	Procurement, Suspension, and Debarment
2009-59	93.558	Reporting
2009-60	93.558	Subrecipient Monitoring
2009-62	17.225	Cash Management
2009-63	17.225	Eligibility
2009-64	17.225	Reporting
2009-65	97.036	Allowable Costs
2009-66	97.067	Allowable Costs
2009-68	97.067	Period of Availability
2009-69	97.067	Procurement, Suspension, and Debarment
2009-70	97.067	Reporting
2009-71	97.067	Special Tests and Provisions: Supplement not Supplant
2009-72	84.027, 84.173	Allowable Costs
2009-73	10.558	Cash Management
2009-74	84.010	Cash Management
2009-75	84.027, 84.173	Cash Management
2009-76	84.282	Cash Management
2009-77	84.367	Cash Management
2009-78	93.596	Cash Management
2009-79	93.596	Eligibility
2009-80	84.010	Matching, Level of Effort, Earmarking
2009-81	84.367	Matching, Level of Effort, Earmarking
2009-82	84.010	Reporting
2009-83	10.558	Subrecipient Monitoring
2009-84	93.596	Subrecipient Monitoring
2009-85	84.010	Allowable Costs
2009-86	84.367	Allowable Costs



Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2009-87	84.010	Matching, Level of Effort, Earmarking
2009-88	84.027, 84.173	Matching, Level of Effort, Earmarking
2009-89	84.367	Matching, Level of Effort, Earmarking
2009-90	84.010	Procurement, Suspension, and Debarment

Schedules of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** (the District), as of and for the year ended September 30, 2009, and have issued our report thereon dated January 28, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

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

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

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

BDO Seidman, LLP

Washington, D.C.
June 18, 2010

Schedule of Expenditures of Federal Awards

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Health and Human Services		
Consumer Affairs	93.002	\$ 2,264,725
Public Health and Social Services Emergency Fund	93.003	6,000
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	989,102
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1,799,399
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	3,200,186
Vital Statistics Re-engineering Program	93.066	164,228
Public Health Emergency Preparedness	93.069	6,254,498
D.C. Fatherhood Initiative	93.086	1,282,186
Food and Drug Administration_Research	93.103	5,000
Maternal and Child Health Federal Consolidated Programs	93.110	354,942
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,184,662
Primary Care Services-Resource Coordination and Development	93.130	117,147
Injury Prevention and Control Research and State and Community Based Programs	93.136	78,166
Projects for Assistance in Transition from Homelessness (PATH)	93.150	291,557
Childhood Lead Poisoning Prevention Projects_State and Local	93.197	159,870
Traumatic Brain Injury State Demonstration Grant Program	93.234	156,314
Oral Health Expansion	93.236	153,172
Substance Abuse and Mental Health Services	93.243	1,261,953
Universal Newborn Hearing Screening	93.251	188,531
Immunization Grants	93.268	1,999,161
Substance Abuse and Mental Health Services - Access to Recovery	93.275	3,396,117
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	2,823,808
Minority Health and Health Disparities Research	93.307	614,515
Cancer Centers Support	93.397	165,205

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Cancer Research Manpower	93.398	308,777
Special Programs for the Aging_ Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.552	44,498
Promoting Safe and Stable Families	93.556	971,309
Temporary Assistance for Needy Families	93.558	96,423,759
Child Support Enforcement	93.563	18,281,465
Child Support Enforcement Research	93.564	49,173
Refugee and Entrant Assistance-State Administered Programs	93.566	953,200
Low-Income Home Energy Assistance Program	93.568	16,709,179
Community Services Block Grant	93.569	10,922,985
ARRA - Community Services Block Grant	93.569	5,616,382
Refugee and Entrant Assistance-Discretionary Grants	93.576	50,273
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,581,236
Access and Visitation Program	93.597	76,275
Head Start - Direct Funding	93.600	7,215,923
Head Start - Pass-through Funding (Agreement No. 080708)	93.600	3,688,471
Election Assistance for Individuals with Disabilities	93.617	138,001
Developmental Disabilities Basic Support and Advocacy Grant	93.630	296,328
Children's Justice Act	93.643	49,999
Child Welfare Services-State Grants	93.645	326,853
Foster Care - Title IV-E	93.658	26,940,565
ARRA - Foster Care - Title IV-E	93.658	1,234,781
Adoption Assistance	93.659	20,177,781
ARRA - Adoption Assistance	93.659	1,352,046
Social Services Block Grant	93.667	7,168,275
Child Abuse and Neglect State Grants	93.669	85,971
Family Violence Prevention and Services State Grants	93.671	698,204
Chafee Foster Care Independent Living	93.674	1,028,654
ARRA - Aging Congregate Nutrition Services for States	93.707	46,745

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Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Children's Health Insurance Program	93.767	11,270,264
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	564,015
State Medicaid Fraud Control Units	93.775	1,783,248
Medical Assistance Program	93.778	1,142,406,302
ARRA - Medical Assistance Program	93.778	130,948,498
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	213,041
Money Follows the Person Rebalancing Demonstration	93.791	1,027,648
Medicaid Transportation Grant	93.793	1,798,391
MBRS - Research	93.859	269,699
Bioterrorism and Hospital Preparedness	93.889	2,277,735
HIV Emergency Relief Project Grants	93.914	29,573,298
HIV Care Formula Grants	93.917	18,421,342
US DHHS SDA Speech Pathology (GRAD)	93.925	61,223
Healthy Start Initiative	93.926	4,250,942
Improvements of the Health and Well-Being of Youth	93.938	255,455
HIV Prevention Activities	93.940	7,791,803
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,525,591
Assistance Programs for Chronic Disease Prevention and Control	93.945	287,837
Block Grants for Community Mental Health Services	93.958	737,706
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7,302,373
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	1,629,630
Cooperative Agreements for State-Based Diabetes Control Programs	93.988	169,293
Preventive Health and Health Services Block Grant	93.991	830,843
Maternal and Child Health Services Block Grant to the States	93.994	5,613,514
Total U.S. Department of Health and Human Services		1,631,357,243
U.S. Department of Labor		
Labor Force Statistics	17.002	530,078

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Compensation and Working Conditions	17.005	73,000
Employment Service	17.207	2,515,610
Unemployment Insurance	17.225	360,497,843
ARRA - Unemployment Insurance	17.225	23,394,471
Senior Community Service Employment Program	17.235	606,830
ARRA - Senior Community Service Employment Program	17.235	26,354
WIA Adult Program	17.258	2,691,138
ARRA - WIA Adult Program	17.258	979,347
WIA Youth Activities	17.259	2,416,917
WIA Dislocated Workers	17.260	3,618,817
ARRA - WIA Dislocated Workers	17.260	98,980
WIA Pilots, Demonstrations, and Research Projects	17.261	23,026
WIA Navigator Project	17.266	130,012
Reintegration of Ex-Offenders	17.270	130,434
Work Opportunity Tax Credit Program	17.271	56,807
Temporary Labor Certification for Foreign Workers	17.273	93,517
Consultation Agreements	17.504	437,346
Disabled Veterans' Outreach Program (DVOP)	17.801	265,427
Local Veterans' Employment Representative Program	17.804	289,940
Total U.S. Department of Labor		398,875,894
U.S. Department of Transportation		
Highway Planning and Construction	20.205	140,157,048
ARRA - Highway Planning and Construction	20.205	2,671,133
Motor Carrier Safety	20.217	80,565
National Motor Carrier Safety	20.218	948,191
Safety Data Improvement Program	20.234	(15)
Federal Transit – Metropolitan Planning Grants	20.505	380,924
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	158,444
State and Community Highway Safety	20.600	2,519,368

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
State Traffic and Safety Information System Improvement Grants	20.610	2,563
Pipeline Safety	20.700	124,679
Total U.S. Department of Transportation		147,042,900
U.S. Department of Education		
State Adult Education	84.002	1,286,324
Federal Supplemental Educational Opportunity Grants	84.007	495,687
Title I Grants to Local Educational Agencies	84.010	38,665,012
Title I Program for Neglected and Delinquent Children	84.013	269,903
Special Education-Grants to States	84.027	16,851,493
Higher Education Institutional Aid	84.031	3,112,290
Job Locator Development	84.033	248,327
Impact Aid	84.041	1,510,806
TRIO-Student Support Services	84.042	475,437
TRIO-Talent Search	84.044	361,770
TRIO-Upward Bound	84.047	252,187
Career and Technical Education-Basic Grants to States	84.048	3,127,655
Federal Pell Grant Program	84.063	8,918,614
State Student Incentive Grant/Supplement	84.069	433,011
Vocational Rehabilitation Grants to States	84.126	11,810,402
Rehabilitation Services-Client Assistance Program	84.161	140,236
Independent Living-State Grants	84.169	350,464
Special Education-Preschool Grants	84.173	125,119
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	224,063
Special Education-Grants for Infants and Families with Disabilities	84.181	2,309,001
Byrd Honors Scholarships	84.185	54,000
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,293,091
Supported Employment Services for Individuals with Severe Disabilities	84.187	307,956
Education for Homeless Children and Youth	84.196	203,582
Even Start-State Educational Agencies	84.213	329,426

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Assistive Technology	84.224	361,892
Tech-Prep Education	84.243	724,857
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	28,842
Charter Schools	84.282	7,623,878
Twenty-First Century Community Learning Centers	84.287	5,352,562
Title VII-Innovative Education Program	84.298	144,812
Education Technology State Grants	84.318	67,650
State Program Improvement - Special Education	84.323	300,556
Special Education - Personnel Preparation to Improve Services	84.325	115,508
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	74,433
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,030,248
Teacher Quality Enhancement Grants	84.336	(71,654)
Transition to Teaching	84.350	332,493
Title I Reading First State Grants	84.357	1,177,177
Title III Language Acquisition State Grant	84.365	843,640
Math Science Partnership	84.366	115,801
Improving Teacher Quality State Grants	84.367	17,211,084
Grants for Enhanced Assessment Instruments	84.368	258,551
Grants for State Assessments and Related Activities	84.369	4,589,467
Statewide Data Systems	84.372	832,375
School Improvement Grants	84.377	679,992
ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States	84.390	120,095
Total U.S. Department of Education		135,070,115
U.S. Department of Homeland Security		
Special Projects	97.001	6,550
Homeland Security Preparedness Technical Assistance Program	97.007	64,740
Urban Areas Security Initiative	97.008	1,370,538

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2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Boating Safety Financial Assistance	97.012	1,019,556
Community Assistance Program State Support Services Element	97.023	29,998
Disaster Grants - Public Assistance	97.036	10,879,150
Emergency Management Performance Grants	97.042	1,591,686
Homeland Security Grant Program	97.067	54,464,034
MAP Modernization Management Support	97.070	1,555
Rail and Transit Security Grant Program	97.075	3,506,605
Buffer Zone Protection Plan	97.078	566,998
Regional Catastrophic Preparedness Grant Program	97.111	249,557
Total U.S. Department of Homeland Security		73,750,967
U.S. Department of Agriculture		
Pesticide Application Training	10.025	6,272
Grants for Agricultural Research, Special Research Grants	10.200	37,205
Agricultural Experiment Station	10.203	1,765,890
Cooperative Extension Service	10.500	14,270
Commodity Distribution Program	10.550	31,060
Supplemental Nutrition Assistance Program	10.551	8,533,880
ARRA - Supplemental Nutrition Assistance Program	10.551	380,244
School Breakfast Program	10.553	4,978,411
National School Lunch Program	10.555	17,729,935
ARRA - National School Lunch Program	10.555	215,764
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16,085,161
ARRA - Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	370,164
Child and Adult Care Food Program	10.558	4,870,778
Summer Food Service Program for Children	10.559	3,849,985
State Administrative Matching Grants for Food Stamp Program	10.561	5,875,895
Nutrition Education and Training Program	10.564	68,593
Commodity Supplemental Food Program	10.565	444,960

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2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Emergency Food Assistance Program (Administrative Costs)	10.568	172,280
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568	59,863
Nutrition Program for the Elderly	10.570	645,520
WIC Farmers Market Nutrition Program (FMNP)	10.572	226,600
Senior Farmers Market Nutrition Program	10.576	130,000
Child Nutrition Discretionary Grants Limited Availability	10.579	343,301
Fresh Fruit and Vegetable Program	10.582	253,624
Cooperative Forestry Assistance	10.664	163,020
Total U.S. Department of Agriculture		67,252,675
U.S. Department of Housing and Urban Development		
Community Development Block Grants/Entitlement Grants	14.218	18,724,172
Emergency Shelter Grants Program	14.231	1,438,892
Shelter Plus Care	14.238	3,713,449
HOME Investment Partnerships Program	14.239	13,698,402
Housing Opportunities for Persons with AIDS	14.241	14,797,845
National Fair Housing Training Academy	14.401	148,156
Lead-Based Paint Hazard Control	14.900	(403,573)
Total U.S. Department of Housing and Urban Development		52,117,343
Social Security Administration		
Social Security - Disability Insurance	96.001	7,235,350
U.S. Department of Justice		
Asset Forfeitures	16.000	825,000
Law Enforcement Assistance_Narcotics and Dangerous Drugs_		
Laboratory Analysis	16.001	1,029,590
Prisoner Reentry Initiative Demonstration	16.202	(275,155)
Services for Trafficking Victims	16.320	37,909
Law Enforcement Assistance Office of Community Anti-Crime Programs	16.519	(167)
Juvenile Accountability Incentive Block Grants	16.523	199,957
Title II Formula Grant - Administration	16.540	460,462

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<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Paul Coverdell Forensic Science	16.550	148,175
National Criminal History Improvement Program (NCHIP)	16.554	(2,656)
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	369,335
Comprehensive Communities Program	16.572	148,415
Crime Victim Assistance	16.575	1,039,668
ARRA - Crime Victim Assistance	16.575	37,500
Byrne Formula Grant	16.579	786,396
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	654,276
Crime Victim Assistance /Discretionary Grants	16.582	304,096
Violence Against Women Formula Grants	16.588	600,089
ARRA - Violence Against Women Formula Grants	16.588	36,153
Residential Substance Abuse Treatment for State Prisoners	16.593	84,121
Community Capacity Development Office	16.595	(5,422)
Public Safety Partnership and Community Policing Grants	16.710	172,357
Enforcing Underage Drinking Laws Program	16.727	(46,700)
Forensic DNA Backlog Reduction Program	16.741	273,155
Forensic Casework DNA Backlog Reduction Program	16.743	(18,756)
Total U.S. Department of Justice		6,857,798
U.S. Environmental Protection Agency		
Air Pollution Control Program Support	66.001	946,571
State Indoor Radon Grants	66.032	100,000
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to Clean Air Act	66.034	105,707
Clean School Bus USA	66.036	2,025
Construction Grants for Wastewater Treatment Works	66.418	(12,507)
Water Pollution Control-State and Interstate Program Support	66.419	1,269,339
Water Quality Management Planning	66.454	100,000
Nonpoint Source Implementation Grants	66.460	1,096,735

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2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Water Quality Cooperative Agreements	66.463	58
Chesapeake Bay Program	66.466	783,001
Capitalization Grants for Drinking Water State Revolving Funds	66.468	12,507
Performance Partnership Grants	66.605	134,622
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	80,000
TSCA Title IV State Lead Grants–Certification of Lead Based Paint Professionals	66.707	953,560
Integrated Pest Management	66.716	380
Hazardous Waste Management State Program Support	66.801	256,175
State and Tribal Underground Storage Tanks Program	66.804	411,231
Superfund State Core Program Cooperative Agreements	66.809	112,150
State and Tribal Response Program Grants	66.817	384,977
Total U.S. Environmental Protection Agency		6,736,531
Corporation for National and Community Service		
Learn and Serve Community Based Program	94.004	281,104
AmeriCorps	94.006	2,885,218
ARRA - AmeriCorps	94.006	95,686
Planning and Program Development Grants	94.007	734,082
Training and Technical Assistance	94.009	74,353
Senior Companion Program	94.016	306,240
Total Corporation for National and Community Service		4,376,683
U.S. Department of Commerce		
Investments for Public Works and Economic Development Facilities	11.300	2,000,000
Chesapeake Bay Studies	11.457	160,486
Atlantic Coastal Fisheries Cooperative Management	11.474	10,228
Public Safety Interoperable Communications Grant Program	11.555	1,505,970
Measurement and Engineering Research and Standards	11.609	7,315
Total U.S. Department of Commerce		3,683,999

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<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Defense		
Procurement Technical Assistance For Business Firms	12.002	130,605
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	508,184
National Guard Military Operations and Maintenance (O&M) Projects	12.401	1,905,170
Youth Challenge Program	12.404	214,925
Military Medical Research and Development	12.420	2,219
Total U.S. Department of Defense		2,761,103
U.S. Department of the Interior		
Urban Design and Transportation Study	15.000	60,000
Sport Fish Restoration	15.605	1,068,768
State Wildlife Grants	15.634	8,290
USGS-WRRI Student Internship Program	15.805	46,333
Historic Preservation Fund Grants-In-Aid	15.904	452,892
Total U.S. Department of the Interior		1,636,283
Institute of Museum and Library Services		
Grants to States	45.310	1,245,526
U.S. Department of Energy		
National Energy Information Center	81.039	13,170
State Energy Program	81.041	236,925
ARRA - State Energy Program	81.041	6,480
Weatherization Assistance for Low-Income Persons	81.042	770,868
Total U.S. Department of Energy		1,027,443
National Endowment for the Arts		
Promotion of the Arts-Partnership Agreements	45.025	677,836
National Science Foundation		
Computer and Information Science and Engineering	47.070	6,644
Stem Research and Training Center	47.076	501,942
Total National Science Foundation		508,586

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Schedule of Expenditures of Federal Awards - by Federal Grantor

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2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Equal Employment Opportunity Commission		
Employment Discrimination_Title VII of the Civil Rights Act of 1964	30.001	169,000
Internal Revenue Service, Department of Treasury		
Low Income Taxpayer Clinics	21.008	84,761
General Services Administration		
Public Buildings Service	39.012	67,500
National Endowment for the Humanities		
Promotion of the Humanities Division of Preservation and Access	45.149	17,022
Promotion of the Humanities-Public Programs	45.164	1,000
Total National Endowment for the Humanities		18,022
Total Expenditures of Federal Awards		\$ 2,542,553,558

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Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Department of Health Care Finance		
Children's Health Insurance Program	93.767	\$ 11,263,055
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	564,015
Medical Assistance Program	93.778	1,140,048,576
ARRA - Medical Assistance Program	93.778	130,948,498
Money Follows the Person Rebalancing Demonstration	93.791	1,027,648
Medicaid Transportation Grant	93.793	1,798,391
Total Department of Health Care Finance		1,285,650,183
Department of Employment Services		
Labor Force Statistics	17.002	530,078
Employment Service	17.207	2,515,610
Unemployment Insurance	17.225	360,497,843
ARRA - Unemployment Insurance	17.225	23,394,471
Senior Community Service Employment Program	17.235	606,830
ARRA - Senior Community Service Employment Program	17.235	26,354
WIA Adult Program	17.258	2,691,138
ARRA - WIA Adult Program	17.258	979,347
WIA Youth Activities	17.259	2,416,917
WIA Dislocated Workers	17.260	3,618,817
ARRA - WIA Dislocated Workers	17.260	98,980
WIA Navigator Project	17.266	130,012
Work Opportunity Tax Credit Program	17.271	56,807
Temporary Labor Certification for Foreign Workers	17.273	93,517
Consultation Agreements	17.504	437,346
Disabled Veterans' Outreach Program (DVOP)	17.801	265,427
Local Veterans' Employment Representative Program	17.804	289,940
Total Department of Employment Services		398,649,434
Department of Human Services		
Supplemental Nutrition Assistance Program	10.551	8,533,880

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<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
ARRA - Supplemental Nutrition Assistance Program	10.551	380,244
State Administrative Matching Grants for Food Stamp Program	10.561	3,036,340
D.C. Fatherhood Initiative	93.086	1,282,186
Temporary Assistance for Needy Families	93.558	96,423,759
Refugee and Entrant Assistance-State Administered Programs	93.566	953,200
Community Services Block Grant	93.569	10,922,985
ARRA - Community Services Block Grant	93.569	5,616,382
Developmental Disabilities Basic Support and Advocacy Grant	93.630	296,328
Social Services Block Grant	93.667	7,168,275
Family Violence Prevention and Services State Grants	93.671	698,204
Medical Assistance Program	93.778	14,812,400
Total Department of Human Services		150,124,183
District Department of Transportation		
Cooperative Forestry Assistance	10.664	163,020
Highway Planning and Construction	20.205	140,157,048
ARRA - Highway Planning and Construction	20.205	2,671,133
Federal Transit – Metropolitan Planning Grants	20.505	380,924
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	158,444
State and Community Highway Safety	20.600	2,519,368
Total District Department of Transportation		146,049,937
Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16,071,655
ARRA - Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	370,164
State Administrative Matching Grants for Food Stamp Program	10.561	1,901,742
Commodity Supplemental Food Program	10.565	444,960
WIC Farmers Market Nutrition Program (FMNP)	10.572	226,600
Senior Farmers Market Nutrition Program	10.576	130,000
Shelter Plus Care	14.238	427,074

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<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Housing Opportunities for Persons with AIDS	14.241	14,797,845
Compensation and Working Conditions	17.005	73,000
Safe and Drug-Free Schools and Communities-State Grants	84.186	284,670
Consumer Affairs	93.002	2,264,725
Vital Statistics Re-engineering Program	93.066	164,228
Public Health Emergency Preparedness	93.069	6,254,498
Food and Drug Administration_Research	93.103	5,000
Maternal and Child Health Federal Consolidated Programs	93.110	354,942
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,184,662
Primary Care Services-Resource Coordination and Development	93.130	117,147
Injury Prevention and Control Research and State and Community Based Programs	93.136	78,166
Traumatic Brain Injury State Demonstration Grant Program	93.234	156,314
Substance Abuse and Mental Health Services	93.243	456,605
Universal Newborn Hearing Screening	93.251	188,531
Immunization Grants	93.268	1,999,161
Substance Abuse and Mental Health Services - Access to Recovery	93.275	3,396,117
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	2,823,808
Refugee and Entrant Assistance-Discretionary Grants	93.576	50,273
Children's Health Insurance Program	93.767	7,209
Medical Assistance Program	93.778	(22,362,940)
Bioterrorism and Hospital Preparedness	93.889	2,277,735
HIV Emergency Relief Project Grants	93.914	29,573,298
HIV Care Formula Grants	93.917	18,421,342
Healthy Start Initiative	93.926	4,250,942
HIV Prevention Activities	93.940	7,791,803
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,525,591

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<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Assistance Programs for Chronic Disease Prevention and Control	93.945	287,837
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7,302,373
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	1,629,630
Cooperative Agreements for State-Based Diabetes Control Programs	93.988	169,293
Preventive Health and Health Services Block Grant	93.991	830,843
Maternal and Child Health Services Block Grant to the States	93.994	5,613,514
Total Department of Health		111,540,357
Office of the State Superintendent of Education		
School Breakfast Program	10.553	4,978,411
National School Lunch Program	10.555	17,729,935
ARRA - National School Lunch Program	10.555	215,764
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	13,506
Child and Adult Care Food Program	10.558	4,870,778
Summer Food Service Program for Children	10.559	3,849,985
Nutrition Education and Training Program	10.564	68,593
Emergency Food Assistance Program (Administrative Costs)	10.568	172,280
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568	59,863
Child Nutrition Discretionary Grants Limited Availability	10.579	343,301
Fresh Fruit and Vegetable Program	10.582	253,624
State Adult Education	84.002	1,286,324
Title I Grants to Local Educational Agencies	84.010	8,961,840
Title I Program for Neglected and Delinquent Children	84.013	269,903
Special Education-Grants to States	84.027	4,595,309
Career and Technical Education-Basic Grants to States	84.048	3,127,655
State Student Incentive Grant/Supplement	84.069	433,011
Special Education-Preschool Grants	84.173	125,119
Special Education-Grants for Infants and Families with Disabilities	84.181	2,309,001
Byrd Honors Scholarships	84.185	54,000
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,008,421
Education for Homeless Children and Youth	84.196	203,582

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<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Even Start-State Educational Agencies	84.213	329,426
Tech-Prep Education	84.243	724,857
Charter Schools	84.282	7,623,878
Twenty-First Century Community Learning Centers	84.287	5,352,562
Title VII-Innovative Education Program	84.298	144,812
Education Technology State Grants	84.318	67,650
State Program Improvement - Special Education	84.323	300,556
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	74,433
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,030,248
Teacher Quality Enhancement Grants	84.336	(71,654)
Transition to Teaching	84.350	184,377
Title I Reading First State Grants	84.357	1,177,177
Title III Language Acquisition State Grant	84.365	843,640
Math Science Partnership	84.366	115,801
Improving Teacher Quality State Grants	84.367	9,692,849
Grants for Enhanced Assessment Instruments	84.368	258,551
Grants for State Assessments and Related Activities	84.369	4,589,467
Statewide Data Systems	84.372	832,375
School Improvement Grants	84.377	679,992
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,581,236
Improvements of the Health and Well-Being of Youth	93.938	197,046
Total Office of the State Superintendent of Education		99,659,484
Homeland Security and Emergency Management Agency		
Public Safety Interoperable Communications Grant Program	11.555	1,505,970
Special Projects	97.001	6,550
Urban Areas Security Initiative	97.008	1,370,538
State and Local Assistance	83.534	29,998
Disaster Grants - Public Assistance	97.036	10,879,150

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2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Emergency Management Performance Grants	97.042	1,591,686
Homeland Security Grant Program	97.067	54,464,034
MAP Modernization Management Support	97.070	1,555
Rail and Transit Security Grant Program	97.075	3,506,605
Buffer Zone Protection Plan	97.078	566,998
Regional Catastrophic Preparedness Grant Program	97.111	249,557
Total Homeland Security and Emergency Management Agency		74,172,641
D.C. Public Schools		
Title I Grants to Local Educational Agencies	84.010	29,703,172
Special Education-Grants to States	84.027	12,256,184
Impact Aid	84.041	1,510,806
Improving Teacher Quality State Grants	84.367	7,518,235
Head Start - Direct Funding	93.600	7,075,762
Head Start - Pass-through Funding (Agreement No. 080708)	93.600	3,688,471
Improvements of the Health and Well-Being of Youth	93.938	58,409
Total D.C. Public Schools		61,811,039
Child and Family Services Agency		
Promoting Safe and Stable Families	93.556	971,309
Children's Justice Act	93.643	49,999
Child Welfare Services-State Grants	93.645	326,853
Foster Care - Title IV-E	93.658	26,940,565
ARRA - Foster Care - Title IV-E	93.658	1,234,781
Adoption Assistance	93.659	20,177,781
ARRA - Adoption Assistance	93.659	1,352,046
Child Abuse and Neglect State Grants	93.669	85,971
Chafee Foster Care Independent Living	93.674	1,028,654
Total Child and Family Services Agency		52,167,959
Department of Housing and Community Development		
Community Development Block Grants/Entitlement Grants	14.218	18,724,172

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<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Emergency Shelter Grants Program	14.231	1,438,892
Shelter Plus Care	14.238	3,286,375
HOME Investment Partnerships Program	14.239	13,698,402
Lead-Based Paint Hazard Control	14.900	(403,573)
Total Department of Housing and Community Development		36,744,268
District Department of Environment		
Chesapeake Bay Studies	11.457	160,486
Atlantic Coastal Fisheries Cooperative Management	11.474	10,228
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	508,184
Sport Fish Restoration	15.605	1,068,768
State Wildlife Grants	15.634	8,290
Air Pollution Control Program Support	66.001	946,571
State Indoor Radon Grants	66.032	100,000
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to Clean Air Act	66.034	105,707
Clean School Bus USA	66.036	2,025
Construction Grants for Wastewater Treatment Works	66.418	(12,507)
Water Pollution Control-State and Interstate Program Support	66.419	1,269,339
Water Quality Management Planning	66.454	100,000
Nonpoint Source Implementation Grants	66.460	1,096,735
Water Quality Cooperative Agreements	66.463	58
Chesapeake Bay Program	66.466	783,001
Capitalization Grants for Drinking Water State Revolving Funds	66.468	12,507
Performance Partnership Grants	66.605	134,622
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	80,000
TSCA Title IV State Lead Grants–Certification of Lead Based Paint Professionals	66.707	953,560
Hazardous Waste Management State Program Support	66.801	256,175

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Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
State and Tribal Underground Storage Tanks Program	66.804	411,231
Superfund State Core Program Cooperative Agreements	66.809	112,150
State and Tribal Response Program Grants	66.817	384,977
National Energy Information Center	81.039	13,170
State Energy Program	81.041	236,925
ARRA - State Energy Program	81.041	6,480
Weatherization Assistance for Low-Income Persons	81.042	770,868
Childhood Lead Poisoning Prevention Projects_State and Local	93.197	159,870
Low-Income Home Energy Assistance Program	93.568	16,709,179
Total District Department of Environment		26,388,599
Department of Disability Services		
Vocational Rehabilitation Grants to States	84.126	11,810,402
Rehabilitation Services-Client Assistance Program	84.161	140,236
Independent Living-State Grants	84.169	350,464
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	224,063
Supported Employment Services for Individuals with Severe Disabilities	84.187	307,956
Assistive Technology	84.224	361,892
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	28,842
ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States	84.390	120,095
Medical Assistance Program	93.778	3,946,580
Social Security_Disability Insurance	96.001	7,235,350
Total Department of Disability Services		24,525,880
University of the District of Columbia		
Pesticide Application Training	10.025	6,272
Grants for Agricultural Research, Special Research Grants	10.200	37,205
Agricultural Experiment Station	10.203	1,765,890
Cooperative Extension Service	10.500	14,270

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Commodity Distribution Program	10.550	31,060
Measurement and Engineering Research and Standards	11.609	7,315
Military Medical Research and Development	12.420	2,219
USGS-WRRI Student Internship Program	15.805	46,333
Low Income Taxpayer Clinics	21.008	84,761
Computer and Information Science and Engineering	47.070	6,644
Stem Research and Training Center	47.076	501,942
Integrated Pest Management	66.716	380
Federal Supplemental Educational Opportunity Grants	84.007	495,687
Higher Education Institutional Aid	84.031	3,112,290
Job Locator Development	84.033	248,327
TRIO-Student Support Services	84.042	475,437
TRIO-Talent Search	84.044	361,770
TRIO-Upward Bound	84.047	252,187
Federal Pell Grant Program	84.063	8,918,614
Special Education - Personnel Preparation to Improve Services	84.325	115,508
Transition to Teaching	84.350	148,116
Minority Health and Health Disparities Research	93.307	614,515
Cancer Centers Support	93.397	165,205
Cancer Research Manpower	93.398	308,777
Head Start - Direct Funding	93.600	140,161
MBRS - Research	93.859	269,699
US DHHS SDA Speech Pathology (GRAD)	93.925	61,223
Planning and Program Development Grants	94.007	696,735
Senior Companion Program	94.016	306,240
Total University of the District of Columbia		19,194,782
Office of the Attorney General		
Child Support Enforcement	93.563	18,281,465
Child Support Enforcement Research	93.564	49,173
Access and Visitation Program	93.597	76,275
Total Office of the Attorney General		18,406,913

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Department of Mental Health		
Public Health and Social Services Emergency Fund	93.003	6,000
Projects for Assistance in Transition from Homelessness (PATH)	93.150	291,557
Oral Health Expansion	93.236	153,172
Substance Abuse and Mental Health Services	93.243	805,348
Medical Assistance Program	93.778	5,961,686
Early Periodic Screening & Treatment to Adult Support	93.779	(1,116)
Block Grants for Community Mental Health Services	93.958	737,706
Total Department of Mental Health		7,954,353
Office on Aging		
Nutrition Program for the Elderly	10.570	645,520
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	989,102
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1,799,399
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	3,200,186
Special Programs for the Aging_Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.552	44,498
ARRA - Aging Congregate Nutrition Services for States	93.707	46,745
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	214,157
Total Office on Aging		6,939,607
Metropolitan Police Department		
Asset Forfeitures	16.000	825,000
Law Enforcement Assistance_Narcotics and Dangerous Drugs_ Laboratory Analysis	16.001	1,029,590
Services for Trafficking Victims	16.320	37,909
Law Enforcement Assistance_Office of Community Anti-Crime Programs	16.519	(167)
National Criminal History Improvement Program (NCHIP)	16.554	(2,656)

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Crime Victim Assistance /Discretionary Grants	16.582	211,842
Community Capacity Development Office	16.595	(5,422)
Public Safety Partnership and Community Policing Grants	16.710	172,357
Forensic DNA Backlog Reduction Program	16.741	273,155
Forensic Casework DNA Backlog Reduction Program	16.743	(18,756)
National Motor Carrier Safety	20.218	489,236
Safety Data Improvement Program	20.234	(15)
State Traffic and Safety Information System Improvement Grants	20.610	2,563
Homeland Security Preparedness Technical Assistance Program	97.007	64,740
Boating Safety Financial Assistance	97.012	1,019,556
Total Metropolitan Police Department		4,098,932
Serve D.C.		
Learn and Serve Community Based Program	94.004	281,104
AmeriCorps	94.006	2,885,218
ARRA - AmeriCorps	94.006	95,686
Planning and Program Development Grants	94.007	37,347
Training and Technical Assistance	94.009	74,353
Total Serve D.C.		3,373,708
Office of Justice Grants Administration		
Prisoner Reentry Initiative Demonstration	16.202	(275,155)
Juvenile Accountability Incentive Block Grants	16.523	199,957
Title II Formula Grant - Administration	16.540	460,462
Paul Coverdell Forensic Science	16.550	99,334
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	369,335
Byrne Formula Grant	16.579	786,396
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	654,276
Residential Substance Abuse Treatment for State Prisoners	16.593	108,317
Reintegration of Ex-Offenders	17.270	130,434
Total Office of Justice Grants Administration		2,533,356

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
D.C. National Guard		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	1,905,170
Youth Challenge Program	12.404	214,925
Total D.C. National Guard		2,120,095
Department of Real Estate Services		
Investments for Public Works and Economic Development Facilities	11.300	2,000,000
Office of Victim Services		
Crime Victim Assistance	16.575	1,039,668
ARRA - Crime Victim Assistance	16.575	37,500
Crime Victim Assistance /Discretionary Grants	16.582	92,254
Violence Against Women Formula Grants	16.588	600,089
ARRA - Violence Against Women Formula Grants	16.588	36,153
Total Office of Victim Services		1,805,664
Office of Inspector General		
State Medicaid Fraud Control Units	93.775	1,783,248
D.C. Public Library		
Promotion of the Humanities Division of Preservation and Access	45.149	17,022
Promotion of the Humanities-Public Programs	45.164	1,000
Grants to States	45.310	1,245,526
Total D.C. Public Library		1,263,548
Office of the Chief Financial Officer		
State Administrative Matching Grants for Food Stamp Program	10.561	937,813
Commission on Arts and Humanities		
Promotion of the Arts-Partnership Agreements	45.025	677,836
Office of Municipal Planning		
Urban Design and Transportation Study	15.000	60,000
Historic Preservation Fund Grants-In-Aid	15.904	452,892
Public Buildings Service	39.012	67,500
Total Office of Municipal Planning		580,392

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2009

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Department of Motor Vehicles		
Motor Carrier Safety	20.217	80,565
National Motor Carrier Safety	20.218	458,955
Total Department of Motor Vehicles		<u>539,520</u>
Department of Human Rights		
National Fair Housing Training Academy	14.401	148,156
Employment Discrimination_Title VII of the Civil Rights Act of 1964	30.001	169,000
Total Department of Human Rights		<u>317,156</u>
Department of Corrections		
Comprehensive Communities Program	16.572	148,415
Board of Elections & Ethics		
Election Assistance for Individuals with Disabilities	93.617	138,001
Department of Small & Local Business Development		
Procurement Technical Assistance For Business Firms	12.002	130,605
Public Service Commission		
Pipeline Safety	20.700	124,679
Criminal Justice Coordinating Council		
Paul Coverdell Forensic Science	16.550	24,645
Department of Youth Rehabilitation Services		
WIA Pilots, Demonstrations, and Research Projects	17.261	23,026
City Administrator/Deputy Mayor		
Paul Coverdell Forensic Science	16.550	24,196
Residential Substance Abuse Treatment for State Prisoners	16.593	(24,196)
Total City Administrator/Deputy Mayor		<u>0</u>
Deputy Mayor for Economic Development		
Enforcing Underage Drinking Laws Program	16.727	(46,700)
Total Expenditures of Federal Awards		<u>\$ 2,542,553,558</u>

Government of the District of Columbia

Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2009

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) and the District of Columbia Water & Sewer Authority (WASA), for the fiscal year ended September 30, 2009. HFA and WASA contract for separate audits in compliance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The federal awards for these two entities 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 (CFDA). Federal award program titles not presented in the Catalog are identified by Federal Agency number followed by (.000).

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.

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.

Government of the District of Columbia

Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2009

3. **Federally Funded Loan Programs** *Home Investment Partnerships Program (CFDA # 14.239)*
The amount in the accompanying schedules does not reflect \$52,955,608 of outstanding loans at September 30, 2009, as well as the value of new loans \$20,655,282 made during the fiscal year, less adjustments and principal payments of \$7,100,845.
- Family Federal Education Loan Program (CFDA # 84.032)*
The District, through the University of the District of Columbia (UDC), participates in the Federal Family Education Loans Program (FFELP), which includes the Federal Stafford Loan Program and the Federal Parents' Loans for Undergraduate Students Program. New loans, disbursed by lending institutions, were made to students enrolled at the University of the District of Columbia for \$7,506,817 during the year ended September 30, 2009; this amount is not included in the Schedules.
4. **Rebates from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**
During fiscal year 2009, the District received cash rebates from infant formula manufacturers in the amount of approximately \$5.5 million 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.
5. **Unemployment Insurance (UI)**
State unemployment tax revenues and the governmental, 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, primarily to be 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 is as follows:

State UI Benefits	\$ 206,864,273
Federal UI Benefits	12,668,095
Federal Extended UI Benefits	127,848,651
Federal UI Administrative Expenditures	13,116,824
	<hr/> 360,497,843
ARRA - Federal UI	23,394,471
	<hr/>
Total	\$ 383,892,314

Government of the District of Columbia

Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2009

6. **Research and Development Programs** The District receives and expends federal funding for various research and development programs. The aggregate amount of such expenditures for the year ended September 30, 2009, did not equal an amount that would constitute a major program under the guidelines of OMB Circular A-133.
7. **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.

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Homeland Security Grant Program	97.067	\$ 51,468,943
HIV Emergency Relief Project Grants	93.914	25,555,794
Housing Opportunities for Persons with AIDS	14.241	14,380,776
Title I Grants to Local Educational Agencies	84.010	12,022,861
Foster Care – Title IV-E	93.658	11,365,375
Community Services Block Grant	93.569	10,321,452
Temporary Assistance for Needy Families	93.558	10,295,700
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	9,662,726
ARRA – Community Services Block Grant	93.569	5,616,382
HIV Care Formula Grants	93.917	5,304,367
Charter Schools	84.282	4,919,416
Child and Adult Care Food Program	10.558	3,571,488
Improving Teacher Quality State Grants	84.367	2,604,610
HIV Prevention Activities	93.940	2,502,338
Special Education Cluster	84.027, 84.173	1,824,614
ARRA – Foster Care – Title IV-E	93.658	563,687
Head Start	93.600	118,000
Highway Planning and Administration	20.205	117,623
Public Health Emergency Preparedness	93.069	85,701
Healthy Start Initiative	93.926	8,278

8. **Intra-District Funding and Expenditures** The Public Education Reform Act of 2007 gave the Office of the State Superintendent of Education (OSSE) the authority to serve as the State Educational Agency (SEA) and perform the functions of a SEA for the District under applicable federal law, including grant-making and federal accountability requirements for elementary and secondary education.

Government of the District of Columbia

Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2009

Effective October 1, 2007, the District of Columbia Public Schools (DCPS) transitioned its responsibilities for all SEA functions to OSSE in accordance with the Public Education Reform Act, including responsibility for federal grant awards.

Accordingly, OSSE is the SEA charged by federal law and regulations to administer grant awards from the Federal government and DCPS is the Local Educational Agency (LEA) receiving funds for use and expenditure in its schools and programs.

Therefore, in the accompanying Schedule of Expenditures of Federal Awards, by District Agency, expenditures incurred have been presented at the DCPS LEA level for major program awards. It is not practicable to determine these expenditures for nonmajor programs.

Schedule of Findings and Questioned Costs

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ X yes _____ none reported
- Noncompliance material to financial statements noted? _____ X yes _____ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ X yes _____ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ X yes _____ none reported

Except for CFDA Number 20.205, Highway Planning and Construction, 20.205, ARRA - Highway Planning and Construction, 84.031, Higher Education Institutional Aid, and 84.007, 84.033, 84.063, 93.925, Student Financial Assistance Cluster, all other major programs as identified on pages 42 and 43 have at least one significant deficiency or other instance of noncompliance.

Type of auditors' report issued on compliance for major programs:

Qualified

Material noncompliance:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster
10.551	ARRA – Supplemental Nutrition Assistance Program
10.558	Child and Adult Care Food Program
14.241	Housing Opportunities for Persons with AIDS
17.225	Unemployment Insurance
17.225	ARRA – Unemployment Insurance
84.010	Title I Grants to Local Educational Agencies

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
84.126, 84.390	Vocational Rehabilitation Cluster
84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States
84.282	Charter Schools
84.367	Improving Teacher Quality State Grants
93.069	Public Health Emergency Preparedness
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.569	Community Services Block Grant
93.569	ARRA – Community Services Block Grant
93.596	Child Care Mandatory & Matching Funds of the Child Care & Development Fund
93.600	Head Start
93.658	Foster Care – Title IV-E
93.658	ARRA – Foster Care – Title IV-E
93.659	Adoption Assistance
93.659	ARRA – Adoption Assistance
93.767	Children's Health Insurance Program
93.775, 93.778	Medical Assistance Program Cluster
93.778	ARRA – Medical Assistance Program
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants
93.926	Healthy Start Initiative
93.940	HIV Prevention Activities
96.001	Social Security – Disability Insurance
97.036	Disaster Grants - Public Assistance
97.067	Homeland Security Grant Program

Any audit findings disclosed that are required to
to be reported in accordance with section
.510(a) of Circular A-133?

 X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster
10.551	ARRA – Supplemental Nutrition Assistance Program
10.558	Child and Adult Care Food Program
14.241	Housing Opportunities for Persons with AIDS

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.225	Unemployment Insurance
17.225	ARRA – Unemployment Insurance
20.205	Highway Planning and Construction
20.205	ARRA – Highway Planning and Construction
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.031	Higher Education Institutional Aid
84.007, 84.033,	Student Financial Assistance Cluster
84.063, 93.925	Vocational Rehabilitation Cluster
84.126, 84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States
84.390	Charter Schools
84.282	Improving Teacher Quality State Grants
84.367	Public Health Emergency Preparedness
93.069	Temporary Assistance for Needy Families
93.558	Child Support Enforcement
93.563	Community Services Block Grant
93.569	ARRA – Community Services Block Grant
93.569	Child Care Mandatory & Matching Funds of the Child Care & Development Fund
93.596	Head Start
93.600	Foster Care – Title IV-E
93.658	ARRA – Foster Care – Title IV-E
93.658	Adoption Assistance
93.659	ARRA – Adoption Assistance
93.659	Children's Health Insurance Program
93.767	Medical Assistance Program Cluster
93.775, 93.778	ARRA – Medical Assistance Program
93.778	HIV Emergency Relief Project Grants
93.914	HIV Care Formula Grants
93.917	Healthy Start Initiative
93.926	HIV Prevention Activities
93.940	Social Security – Disability Insurance
96.001	Disaster Grants - Public Assistance
97.036	Homeland Security Grant Program
97.067	

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 7,627,661

Auditee qualified as low-risk auditee?

_____ yes X no

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Section II – Financial Statement Findings

2009-01 District of Columbia Public Schools - Payroll

The District of Columbia Public Schools (DCPS) previously used the Comprehensive Automated Personnel Payroll System (CAPPS) as its payroll system. The District utilized the Unified Personnel Payroll System (UPPS). During FY 2008, the District implemented a new PeopleSoft payroll system. In April 2009, DCPS also implemented PeopleSoft.

CAPPS was less automated and required more manual interfaces and adjustments to record payroll expenditures in SOAR, the District's accounting system of record. The new PeopleSoft system is intended to be a more dynamic and integrated system requiring less manual adjustments.

During our testing of the payroll at DCPS, we noted the following deficiencies:

New Hires in CAPPS

Current process narratives dictate that a Standard Form (SF) 52 is a request for personnel action and is required by DCPS to provide a position description. We noted the following:

- 1) For 25 out of 45 samples selected by us for testing, we were either not provided the SF 52 personnel document or we received one that was not properly authorized. As a result, we were unable to confirm whether accurate information was entered into CAPPS.
- 2) For 29 out of 45 samples selected by us for testing, we did not receive an authorized copy of the benefits package. As a result, we were unable to confirm whether accurate benefits information had been entered into CAPPS.

Terminations in CAPPS

Since CAPPS is not capable of generating an employee termination form, DCPS-HR maintains a separate database of all employees in MS Access and uses this customized system to print Form 1 Personnel Action documents. The information from said database is an extract of what is in CAPPS. Based on the notification received, the HR Specialist prints the Form 1 from the system and sends it to the HR Director for approval.

For 44 out of 45 samples selected by us for testing, DCPS was unable to provide an authorized termination form. We recommend that DCPS establish a review process for all terminated employees so that their status is promptly updated.

New Hires in PeopleSoft

Current process narratives dictate that a Standard Form (SF) 52 is a request for personnel action and is required by the agency to provide a position description. New employees have 31 days from date of hire to submit the completed health and life enrollment forms to the Benefits and Compensation Division of HR.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Once the employee submits a signed copy of the benefit package, the HR Specialist-Benefits completes the benefits portion screen in PeopleSoft to reflect the benefits availed.

For 2 out of 45 samples selected by us for testing, we noted that the employee's information was not encoded in a timely manner. We recommend that DCPS implement a more efficient method of entering new employees into PeopleSoft in order to minimize the amount of time between the effective hire date and entry into PeopleSoft.

Terminations in PeopleSoft

In case of employee termination, a Request to Terminate Memo is sent to Human Resources (HR), reviewed by the HR Director, and then HR – Legal prepares severance arrangements. A Form 52 is then generated from PeopleSoft, signed by the HR Director, and sent to payroll, the agency, and the employee's personnel file. For 3 out of 45 samples selected by us for testing, we noted that the employee's information was not encoded in a timely manner. We recommend that DCPS establish a review process for all terminated employees so that their status is promptly updated in PeopleSoft.

Transfers

If an employee transfers to another agency, the employee number stays with them. HR personnel, other than the HR Specialist (e.g., HR Assistant, Supervisor, or Manager) perform a quality control online review to ensure all information is accurate and sign the Form SF 52 to evidence review.

For the 2 samples selected by us for testing, the Personnel Action for Transfer was not properly authorized and we were unable to confirm that accurate information had been entered into PeopleSoft. We recommend that DCPS establish a review process for all transferred employees that confirms that their paperwork has been properly authorized and recorded in PeopleSoft.

Management's Response:

DCPS completed the conversion from the old CAPPS HR system to the PeopleSoft system in April 2009. PeopleSoft is the district-wide HR system of record, so in addition to improving service for DCPS employees, the agency now has many more system-wide resources available to it to help solve problems. Unfortunately, the audit reflects 7 months of a fiscal year wherein DCPS had not yet made this transition.

The process for "New Hires" has shown great improvement since the introduction of PeopleSoft. While the CAPPS related samples identified a problem with timeliness in 55% of the sample set, the PeopleSoft related samples identified only a 4% problem. As noted, in CAPPS, the completion and authorization of the Form 52 personnel documents were done manually allowing for more error. These forms are now completed on-line via PeopleSoft.

The Employee Self Service (ESS) application through PeopleSoft gives employees direct access to their individual benefits with greater ease, flexibility, and control. DCPS-HR has also established an internal process to support employees who may not have access to the on-line benefits systems.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Additionally, DCPS-HR will be updating its existing Standard Operating Procedures (SOP) manual to include the changes to its internal controls processes due to the PeopleSoft system conversion.

Similarly, the termination process has been greatly improved with the introduction of PeopleSoft. While the CAPPS related samples identified a 97% error rate, the PeopleSoft related samples identified only a 6% error rate. DCPS will continue to improve on the timeliness of termination paperwork, however, the improvements to this process since the introduction of PeopleSoft, must not be overlooked. Due to the sensitive nature surrounding the termination process, DCPS-HR has established a tracking system which will notify the appropriate HR management and staff (as needed) of any pending termination actions to ensure termination actions are properly coded and processed in a timely manner via the PeopleSoft system. DCPS HR will be updating its existing SOP Manual to include the changes to its internal controls processes due to the PeopleSoft system conversion.

DCPS-HR follows the District's Employee Transfer policies to ensure all agency transfers are handled in accordance with the District's standards. DCPS will continue to work to ensure all transfers to other agencies have a smooth transition. Additionally, DCPS-HR will update its SOP Manual to reflect these process changes.

* * * * *

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

2009-02 Management of the Medicaid Program

In its FY 2009 *Report on the Activities of the Office of the Inspector General* (OIG) dated December 1, 2009, the OIG identified the Medicaid Program as one of the areas of risk for the District of Columbia. The Medicaid program has also been identified as a risk area in previous years. The assessment continues to state that the impact of potential losses to the District is significant.

Following are the issues noted during our audit process.

Delay in Issuance of Audited Cost Reports

Various District agencies, including the District of Columbia Public Schools (DCPS), Child and Family Services Agency (CFSA), and the Department of Mental Health (DMH) provide Medicaid services to eligible District residents. The costs incurred by these agencies are summarized in a cost report that is submitted to the Department of Health Care Finance (DHCF), for approval before those claims are submitted to the Federal government for reimbursement.

The cost reports are required by the Medicaid State Plan to be audited. We noted that final audited cost reports for these agencies are completed after a significant period of time. Reasons for the delay in the completion of the audit of the cost reports are generally due to: (1) delays in submission of cost reports by District agencies; (2) appeals by the agencies for the disallowances by DHCF caused by failure to file Medicaid claims timely, as well as to provide sufficient support for the claims that are incurred; and (3) delays in resubmission of revised cost reports together with the additional documentation to support previously disallowed claims. The difference between costs submitted for reimbursement and the costs actually reimbursed result in the use of local, rather than federal, dollars to fund continued Medicaid expenditures.

The summary below shows the status of the cost report audits:

<u>Agency</u>	<u>Cost Report Audit Completed</u>	<u>Cost Report Available for Audit</u>	<u>Status of Cost Report Audit</u>
1. DCPS	Up to FY 2006	FY 2007, FY 2008	FY 2007 audit in process.
2. CFSA	Up to FY 2005	FY 2006, FY 2007, FY 2008	FY 2006 and FY 2007 audits in process.
3. DMH	Up to FY 2006	FY 2007, FY 2008	FY 2007 audit completed subsequent to 9/30/09.

We recommend District agencies improve the claims submission process and submit cost reports to DHCF on time and improve communication and better coordinate the submission of claims by agencies in a form that is acceptable to DHCF. We also recommend that cost report audits be done in a timely manner. This will allow the District to reduce the time between Medicaid expenditures being incurred and the ultimate reimbursement from the Federal government.

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Management's Response:

District of Columbia Public Schools - Field work for the audit of FY 2007 is in process. The final version of the FY 2008 cost report was submitted December 2, 2009.

Child and Family Services Agency - Field work for the audits of FY 2006 and 2007 are in process. The FY 2008 cost report was submitted September 21, 2009.

Department of Mental Health - The final Notice of Program Reimbursement, based on the audited FY 2007 cost report, was issued January 8, 2010. The FY 2008 cost report was submitted October 16, 2009.

Management believes it is reasonably timely, by industry standards, in completing these public provider audits. Completion of the District's annual CAFR audit is necessary to prepare final adjustments before cost reports can be completed. Given efficient preparation and filing of cost reports, the time required to complete audit field work, hold exit conferences, and resolve outstanding issues is likely to extend beyond September 30th of each year.

Potential Claims Disallowance and Accounts Receivable Write-offs

At September 30, 2008, the District accrued significant liabilities for potential claims disallowance pertaining to Child and Family Services Agency (CFSA) and District of Columbia Public Schools (DCPS) from FY 2003 through FY 2008. In addition, the District also significantly reduced the Medicaid accounts receivable for CFSA during FY 2008. The amounts were estimated based on an availability of the latest audited cost reports mentioned earlier.

We noted that CFSA and DCPS had been very aggressive in claiming Medicaid reimbursements. Based on the audited cost reports, the potential disallowances were mainly due to claim expenditures that were not adequately supported and claim reimbursements that were not allowable.

As a result of the potential disallowances from previous years, the District has written off additional Medicaid accounts receivable for CFSA in the amount of \$32,055,553 during FY 2009. Additionally, management estimated potential disallowances for claims pertaining to FY 2009 for CFSA and recorded these as accrued liabilities in the accounting records at year-end in the amount of \$6,773,412. There were no such amounts for DCPS during FY 2009.

The District should improve its claims documentation in order to minimize potential disallowances in future years. In addition, it must ensure that all claims submitted are allowable and fully supported in accordance with the approved Medicaid State Plan. Further, receivable balances should be reviewed regularly to ensure that only valid receivables are reflected on the books.

Management's Response:

Throughout 2009, DHCF has coordinated efforts to reform the District's Medicaid billing practice to significantly reduce the risk of future liabilities related to the Medicaid program.

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Based on the recommendations from the George Washington University report, *Improving Medicaid: Assessment of District of Columbia Agencies Claims Processes and Recommendations for Improvements in Efficiency and Customer Service*, DHCF issued an RFP on July 13, 2009, to solicit bids for an Administrative Services Organization (ASO) contract. The ASO will be responsible for implementing and operating a claim and payment management system and other administrative functions on behalf of the various Partner Agencies that receive Medicaid reimbursement or are responsible for operational functions of the Medicaid program which serves eligible District residents. The ASO contract is currently under legal sufficiency review by the Office of the Attorney General and then will be sent to Council for approval. Based on this timeline, the contract will be awarded in early 2010.

DHCF collaborated with DCPS and the Office of State Superintendent of Education (OSSE) to submit a state plan amendment (SPA) to the Centers for Medicare and Medicaid Services (CMS) to expand school based health services to students with individual education plans (IEPs). This SPA minimizes potential disallowance risk in the future because it includes a random moment time study, a CMS-approved cost report, and establishes a new reimbursement methodology. DHCF received official notice of the SPA approval on September 24, 2009; the effective date of the SPA is October 1, 2009. DHCF, DCPS, and OSSE are currently implementing the SPA. In addition, OSSE and DCPS continue implementation of an electronic data system to capture information related to Medicaid-billable services, which will ameliorate documentation deficiencies.

Due to potential disallowances caused by claiming unallowable services and inadequate supporting documentation for allowable services, CFSA suspended Medicaid claiming on January 31, 2009. Since then, DHCF and CFSA have engaged in redesigning how case management and behavioral health services will be delivered and claimed under the Medicaid program. DHCF will submit a SPA to CMS in 2010 for case management services that will reduce the risk of future paybacks to the Federal government because it takes a more conservative approach to defining what case management services are and is in compliance with new CMS regulations that limited the definition of case management services.

DHCF has also implemented a public provider review process. The review measures the public provider's adherence to Medicaid documentation requirements and provides DHCF the opportunity to develop recommendations for improvement and how to target technical assistance. DHCF will also issue a school based health services guidebook in 2010. This guidebook will highlight Federal and District requirements as they relate to school health services, define allowable services, outline documentation guidelines, and more. DHCF anticipates issuing similar guidance related to the Targeted Case Management SPA once it is approved.

Maintenance of Supporting Documents at Income Maintenance Administration (IMA)

The Department of Human Services' Income Maintenance Administration (IMA) is responsible for determining eligibility of participants in the Medicaid program. IMA uses the Automated Client Determination System (ACEDS) to evaluate the eligibility of an applicant. We noted the following during our review of 132 participant files which had been selected for testing:

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- 1) 2 participant files did not have signed application forms.
- 2) 4 participant files did not have verification of the applicant's income.
- 3) 4 participant files did not have complete and signed citizenship declaration forms.
- 4) 4 participant files did not show that the social security number was furnished or was verified.
- 5) 3 participant files did not have proof of the participant being a qualified alien.
- 6) 1 participant file did not have proof that the recertification was done within the required twelve months.

The District is required to maintain source documentation to support the eligibility of Medicaid recipients. Further, it is important to produce certain detailed records at specific time periods, and to maintain these records for possible analysis by users such as management, independent auditors, or other governmental bodies. We recommend that IMA review its existing processes for document retention, as not having the required documentation can increase the possibility of disallowance of these expenditures.

Management's Response:

The Department of Human Services (DHS) agrees with the recommendation. While there is some disagreement regarding some of the findings in the participant files, IMA agrees that additional processes are required to ensure the source eligibility documentation is contained in the record and available for the auditors for inspection. These changes would eliminate or reduce findings where the documentation to support eligibility is absent from the record. With regard to documentation of a verified social security number or alien status, DHS has an electronic interface with the Social Security Administration and the Immigration and Nationalization Service which verifies the recipient's status. Therefore, users would be required to view the verification in ACEDS or request a print-out of the document.

For future audits, IMA will review and print the electronic information consistently requested during the audit process, in advance. To address the time it takes to provide the case record, as well as address lost or misplaced documentation, in December 2009, IMA management implemented a system of accountability to ensure the successful retention and maintenance of Medicaid eligibility information. This process includes a system of management and staff accountability, which includes assignment of daily tasks and monitoring completion. Secondly, the Document Imaging Management System (DIMS) Request for Proposal was issued by the Office of Contracting and Procurement on January 8, 2010. The contract will include system development as well as document conversion. Based on an assessment in January 2009, IMA had over 22 million documents stored in the IMA service centers. Digitization of the case records and scanning of all incoming documents will further support the case record maintenance improvements. The expected date of contract award is March 2010.

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Medicaid Provider Programs and Claims

DCPS requires that providers log onto the EASY-IEP system to record their encounter based visits. DCPS also requires the provider to subsequently print out these logs and sign them so that DCPS can capture a signed image supporting the Medicaid claim. Documentation such as IEP's, attendance records, and trip tickets should be on file for all Medicaid claims.

During our review of Medicaid claims, we noted that documentation (IEP's, attendance records, and trip tickets) for 3 out of 45 Medicaid claims could not be located. In addition, 22 out of 45 Medicaid claims were missing the proper authorization(s).

DCPS should require that written approvals be obtained before disbursing money for Medicaid Claims. Additionally, DCPS should keep files on hand that allows for timely retrieval.

Management's Response:

We will continue to utilize our electronic filing system to ensure that documents can be retrieved quickly.

DCPS concurs that Medicaid Claims were missing proper authorization. We will strengthen our review process to ensure evidence of approval prior to processing. Additionally, we are exploring the utilization of an electronic signature system to reduce the exposure to missing authorizations.

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2009-03 Office of Tax and Revenue

The Integrated Tax System (ITS) is the District's system for day-to-day processing of tax returns. It is an automated system and a majority of the District's tax returns, including individual income taxes, real property taxes, and various business taxes are processed in this manner. Account balances in ITS are updated on a daily basis as a result of various types of activity such as, processing of amended tax returns, tax returns filed late, and posting of payments related to prior tax years to a taxpayer accounts.

Following are issues noted in the controls at the Office of Tax and Revenue (OTR). This section is divided into various parts as follows:

- Automated Tax Processes (ITS)
- Manual Tax Processes
- Other Issues

Automated Tax Processes (ITS)

Sales and Use Tax

During our review, we noted the following:

- 1) Changes to the ownership and authorized agent names were automatically processed in the Taxpayer Accounting System (TAS) if the form FR-500 was completed and filed through the District's Electronic Taxpayer Service Center (eTSC) website. These requests were not submitted to Customer Service Administration (CSA) for review and approval prior to processing. In addition, verification checks were not performed to ensure that adequate supporting documentation was provided prior to the system processing the online change request.
- 2) Users submitting the online request for change in ownership and/or authorized agent received user names and passwords to access their business tax account through eTSC within 24 – 48 hours of submitting such a request. As a result of this access, users were able to view the most recent tax returns submitted by the businesses, process tax returns for the businesses, and make estimated tax payments using various online tax payment options.
- 3) Although manual requests for changes in ownership and/or authorized agents are sent to CSA, guidelines have not been established to evaluate if the written authorizations for making the change is from an existing authorized owner or agent of the business. In addition, the District has not implemented a confirmation process to inform businesses that a change in ownership or authorized agent has been made to their accounts.

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As a result of the above listed deficiencies, an unauthorized individual was able to file numerous FR-500 forms and gain unauthorized access to online taxpayer accounts for existing businesses. Based on a search performed during the audit process, this individual filed 114 online FR-500s for existing and fictional businesses between October 13, 2009 and December 22, 2009. Through the process, this individual was also able to establish him/herself as the owner or authorized agent of these businesses and gain access to 76 existing taxpayer business accounts. With the unauthorized access to taxpayer accounts, this individual was able to:

- File a tax return that resulted in erroneous sales and use tax receivables totaling \$19.1 million. The error in the tax receivable balance was identified by management during its review of the fiscal year-end amounts and the balance presented in the financial statements was adjusted by the amount of the erroneous tax receivables.
- Submit 7 tax payments on behalf of businesses using the payment options available on the eTSC website. Six payments totaling \$599,994 were submitted using the eCheck option. For these payments, a taxpayer is required to enter the bank routing information and bank account number. These payments were not processed and were denied by the bank because invalid bank account information had been provided. One payment totaling \$99,999 was submitted using the ACH debit information stored in the eTSC account of the business. This payment was also denied by the taxpayer's bank due to controls implemented by the taxpayer.

To reduce the continued risk of unauthorized access to taxpayer accounts and to ensure that only taxpayer approved changes are made to the ownership or authorized agents of existing businesses, we recommend management consider the following:

- TAS should be modified to ensure that online requests for changes in business ownership and/or authorized agents for businesses registered with the District are routed to CSA for review and approval prior to being processed.
- User IDs and passwords for eTSC accounts of businesses registered with the District should not be emailed or provided to individuals initiating this request until it can be determined that an authorized representative of the taxpayer has approved the change request.
- When performing a review of the letters to authorize changes in ownership or agents of a business registered in the District, CSA should verify that the letter was indeed approved by an authorized individual of the organization prior to processing the change. In addition, confirmation should be sent to the businesses that ownership or authorized agents have been changed.
- Management should also periodically conduct a review to determine if an individual has multiple relationships that may be linked to other taxpayer accounts within ITS. A threshold should be determined for a reasonable number of relationships per taxpayer.

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Management's Response:

OTR recognizes the risk associated with unauthorized changes to taxpayer account information, and is taking steps as outlined below to reinforce the security in online applications. OTR concurs with the findings with the following clarification.

The findings state that changes to the ownership and authorized agent names were automatically processed in TAS if the form FR-500 was completed and filed through the District's eTSC website. These requests were not submitted to CSA for review and approval prior to processing. In addition, checks were not performed to ensure that adequate supporting documentation was provided prior to the system processing the online change request.

Although ownership and authorizing agent names were automatically processed in TAS for previously-registered businesses, the intent of the software logic in ITS was to deny changes to the ownership or authorized agent of a registered business as requested by the taxpayer using the eTSC FR-500 functionality. However, faulty logic in the ITS software allowed these updates to occur automatically. The faulty logic also resulted in the failure to automatically submit the request to CSA for review and approval. Therefore, CSA was not aware of the need to perform a check for adequate supporting documentation.

OTR has disabled its online FR-500 process until the recommended changes are in place.

- OTR will modify eTSC and ITS software logic to deny changes to the ownership or authorized agent of a registered business as requested by the taxpayer using the eTSC FR-500 functionality. These software modifications will be implemented in two phases. The first phase will block the requested changes to ownership or authorized agent of the registered business and provide a report to allow CSA to check that adequate supporting documentation was provided. Once the request has been validated, CSA will process the change via online data entry into ITS. The second phase will notify the taxpayer that its request to change ownership or authorized agent of the registered business was denied. The taxpayer will be directed to contact CSA.
- With the implementation of the Phase 1 software modifications described above, the User IDs and passwords for eTSC accounts of previously-registered businesses will not be emailed or provided to individuals initiating this request without CSA intervention. In these cases, CSA will review the provided report of all requests and take the necessary steps to ensure that the authorized representative of the taxpayer has approved the change request.
- CSA has no way of determining if a letter received on company letterhead is approved by an authorized official. However, CSA will send written confirmation to the business owner or authorized individual that the change in ownership or agent of business registered was requested. These changes are included in the CSA procedural guide.

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- OTR will periodically conduct a review to determine if an individual has multiple relationships to other taxpayer accounts within ITS. For this purpose, a report will be generated from ITS listing those taxpayers having multiple relationships established to taxpayer accounts. The District will determine a threshold based on an acceptable number of relationships per taxpayer and will review those that fall above this threshold to determine if an anomaly exists.

Unidentified Taxpayer Accounts

Adequate controls are not in place to monitor the creation of and ensuing activity in Unidentified Taxpayer Accounts (UTA) in ITS. UTAs are used to record tax returns and payments in ITS that are received with inadequate taxpayer identifying information. Management, through inquiry of employees within the Returns Processing Administration (RPA), identified 13 UTAs that were in use during FY 2009.

During our review, we noted the following:

- 1) The system cannot identify all potential UTAs within ITS. As such, management had to rely on inquiries of employees to identify and determine the universe of UTAs.
- 2) Any employee with modification rights within ITS can create a taxpayer account. As a result, an individual with these rights can also create a UTA or an invalid taxpayer account. A process has not been implemented to monitor the creation of new UTAs.
- 3) There is no restriction on the number of subaccounts that can be created for a Taxpayer Identification Number. For instance, we identified 86 subaccounts for one UTA.
- 4) Subaccounts associated with two UTAs were not identified as UTAs in ITS. As a result, access to the subaccounts was not restricted and anyone with modification rights within ITS could post transactions in these accounts.
- 5) In May 2009, RPA instituted a policy to limit the use of UTAs to two accounts. However, due to an ITS limitation, taxpayer accounts could not be deactivated or closed in the system. As a result, access to the 13 identified UTAs was restricted to 28 employees. As such, the 28 employees had the ability to post activity to all 13 accounts.
- 6) No one department and/or individual has been given the responsibility to review activity recorded in the UTAs.
- 7) Controls have not been implemented to ensure that the reviewer of the activity in the UTAs does not also have modification rights to these accounts.

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- 8) Within ITS, the notes feature is used to attach explanations to transactions recorded in a taxpayer account. However, the notes are linked to the taxpayer account rather than to the transaction code. As a result, it is difficult to link an explanation to a specific transaction. Management has indicated that this issue will be addressed when the District converts to a new taxpayer accounting system in 2012.

Unmonitored use of UTAs can result in erroneous tax bills, incorrect application of taxpayer payments, and creates an opportunity for the generation of fraudulent tax refunds. To enhance controls over the activity recorded in the UTAs, we recommend that management consider the following:

- Management should establish a process to identify new UTAs or suspense accounts created within ITS.
- Management should identify all subaccounts associated with the 13 UTAs and restrict access to these subaccounts.
- Management should institute a process to perform a review of the activity posted to the universe of UTAs and related subaccounts in ITS. In addition, the responsibility to perform this review should be assigned to specific individuals. The activity in these accounts should be reviewed by a supervisory level employee who does not have modification rights to these accounts.
- To enhance the audit trail related to specific transactions, the UTA notes should be linked to the transactions rather than the taxpayer account.

Management's Response:

OTR recognizes the risk associated with posting activity to unidentified accounts and has implemented strong controls to prevent the proliferation of such accounts by reducing the number of accounts used for pending transactions to two. Controls have been implemented to limit the ability of employees to post or transfer payments to and from these accounts by severely restricting access to these accounts, and employees have been provided with instructions regarding the handling of unidentified payments to prevent the creation of new accounts.

In reviewing the recommendations, OTR is taking the following additional actions:

- OTR will create a process to manage the creation of new accounts. Currently, accounts in ITS are created in two ways: 1) through the filing of a return, and 2) in an online transaction directly in ITS. Filing of fraudulent returns with invalid taxpayer IDs is controlled through OTR's automated fraud control in processing of returns. The user ID of an employee performing the "create account" transaction is retained in the system. A control report of accounts created will be developed and implemented and roles and responsibilities for monitoring the activity will be assigned.
- The sub accounts associated with the 13 UTA's are now restricted.
- RPA will assign responsibility for monitoring transactions in the specific UTA accounts for unidentified payments.

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- The system will not allow for notes to be associated directly with transactions. However, reason codes can be associated with transactions on the UTA accounts. Therefore, OTR will use appropriate reason codes on UTA transactions and notes will be entered on the UTA account for each transaction performed.

Real Property Tax Administration and Adjustment Unit (RPTAAU)

RPTAAU tax refunds processed through ITS are issued due to the overpayment of property taxes by homeowners or mortgage lenders, and can be caused by misclassification of property type (e.g., vacant property is taxed at a higher rate than residential property), or by erroneous overpayment (e.g., the homeowner and the mortgage lender may both have paid the same property tax bill).

The Refund Preparation and Review Directive (the Directive) which established guidelines for processing tax refunds, was implemented on March 31, 2008. However, during our review, we noted that adequate supporting documentation for Real Property tax refunds processed through ITS was not attached to the voucher packets to fully support the requested tax refunds as required per the Directive.

Specifically, the following issues were noted during our review:

- 1) For 12 out of 45 tax refunds selected, sufficient proof of taxpayer payment was not attached to the refund request voucher packets. Although RPTAAU was subsequently able to provide adequate support for 10 of these tax refunds, this information was not initially available to the individuals who had reviewed and authorized the tax refund payments.
- 2) For 11 out of 45 tax refunds selected, the payments listed on the Refund Research Form did not reconcile to the proof of payment included in the voucher packets. Although RPTAAU was subsequently able to provide support for all of these tax refunds, this information was not initially available to the individuals who had reviewed and authorized the tax refund payments.
- 3) For all 4 tax refunds, selected by us, that were generated due to a reduction in tax assessments, documentation supporting the reason for the reduced tax assessment, such as a roll correction report was not attached to the voucher packets. Although RPTAAU was subsequently able to provide support for all of these tax refunds, this information was not initially available to the individuals who had reviewed and authorized the tax refund payments.

Without adequate documentation supporting the tax refund at time of payment, a risk exists that fraudulent tax refunds may be processed through the system. To enhance controls over the processing of Real Property tax refunds, we recommend that management consider the following:

- Real Property tax refund voucher packets should include sufficient evidence to validate the payments made by the taxpayer.

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- The payments noted on the Refund Research Form should reconcile to the payments noted in the supporting documentation.
- Tax refunds generated as a result of reductions in tax assessments should be supported by roll correction reports or other evidential reports.
- Reviewers should ensure that adequate supporting documentation is attached to the Refund Research Form prior to approving the tax refund for payment.

Management's Response:

OTR recognizes the risk of issuing potentially fraudulent refunds, and has a rigorous control process in place to ensure that proper documentation and review is present for refunds over an established dollar threshold. Refunds in Real Property (RPTA) are subject to a management level review for all items over \$1,000. While OTR agrees that the audit process found some documentation missing in the paper copies of the selected refund packages, in the case of ITS refunds these paper documents are a redundant control. The support for such refunds exists online in the ITS system, and the individuals in the tiered review process all have access to view this account information.

Among the proof required for most types of refunds is sufficient proof of payment, which is reviewed and qualified before a refund is approved. If the documentation does not support the refund amount, the package is rejected.

In the case of ITS refunds coming from RPTA, proof of payment is substantiated by the payment postings in ITS, which include check or wire transfer information. While the ITS records are not always simple to reconcile because of split payments or multiple payments from mortgage companies, the reviewers in the Refund Control Unit (RCU) are fully trained on how to search ITS to substantiate payment amounts before releasing a refund voucher.

The refund research form is a form that RPTA created for internal use. RCU reviews it by virtue of its inclusion in the refund package, although it is not required for ITS refunds, to ensure that the information documented on it is correct. If it cannot be supported, the refund package is rejected. RCU relies heavily on proof of payment via cancelled checks and/or wire transfers along with ITS to qualify the refunds.

Likewise, data supporting a change of class or assessment is also available in the system for review, and was available for review by those in the approval chain. The currently implemented policies and procedures demonstrate and evidence several controls, which are outlined below:

- Refund Form Development/Modifications
 - a. Action Request Form - all adjustments made within ITS are documented/approved using this form; actions are also notated within ITS notes to provide a concise audit trail.

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- b. Refund Research Form - all refund packets include a revised, electronic Refund Research Form that reflects payment(s) made by the taxpayer. Developed using MS Excel, this form includes taxes due (liabilities), actual payments made by the taxpayer as reflected in ITS, and includes pre-set formulas decreasing the likelihood of computation errors. By reflecting actual liabilities and payments, the issues of "offset" and "credit forward" is significantly reduced. Proof of payment (copy of cashed check/wire/etc.) is attached along with an ITS payment screen print, which further supports the validity of the refund.
 - c. Refund Checklists - all checklists have been re-formatted to allow for both the staff and managers to verify the contents of the refund packet. This serves as an internal checks and balance process to validate the content of the packet, which is a reflection of the Refund Directive, set forth by the Revenue Accounting Administration (RAA) and RPTAAU.
- Weekly Staff Meetings/Training Sessions - A weekly staff meeting is conducted by management to discuss any changes and/or updates to procedures. In addition, training for all reviewers reduces the risk of staff overlooking certain required supporting documentation set forth by the Refund Directive.
- RPTAAU implemented the audit of all adjustments completed on ITS that lead to a financial impact with the specific property liabilities. This report is generated by the IT department and forwarded to RPTAAU management for analysis and audit. This process reduces the likelihood of fraudulent adjustments.
- Error tracking - as errors are discovered within refund packages, they are returned to staff for correction. In addition, every refund packet that is returned by RAA for correction is reviewed by the division Chief. This further accentuates the commitment that RPTAAU has in mitigating the risk of fraud and general errors. An error tracking worksheet has been developed to identify performance deficiencies and provide a basis for increased training.
- Employee Performance:
 - a. Weekly Workload Reports - Staff submit reports on pending cases.
 - b. Cross Training - Staff is trained to do various types of adjustments, refunds, and billings.
 - c. Desk Audits (monthly) - Adjustment Unit Manager reviews, counts, and discusses the pending workload of the staff.
- Continuous Review of the Refund Directive - RPTAAU continually reviews and discusses the current Refund Directive to possibly modify certain requirements.

Release and Reissuance of Tax Refund Checks

In some instances, tax refund checks mailed to the District's taxpayers are returned to OTR. A tax refund check is often returned because it could not be delivered to the taxpayer due to a change of name and/or address, or the address on the check was not specific enough (e.g., a taxpayer lives in an apartment building but does not specify an apartment number). Adequate controls do not exist over the release and re-issuance of these suppressed tax refund checks.

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We noted that within ITS, the function to “suppress” and “release and re-issue” the tax refund check cannot be segregated. Approximately 258 employees within OTR have access rights to suppress, as well as release and re-issue tax refund checks. As a result, the same individual who voids and cancels a tax refund check can also authorize the reissuance of a tax refund check.

A risk exists that previously suppressed tax refund checks may be released for payment without adequate support or authorization. To enhance controls over the reissuance of suppressed tax refund checks, the access to release these checks for reissuance to the taxpayer should be restricted to a select group of individuals. A supervisory level employee who does not have authorization to release these checks should review the released checks to verify that checks should indeed be re-issued.

Management’s Response:

Although OTR recognizes that a risk exists that previously suppressed tax refund checks may be released for payment without adequate support or authorization, we believe this risk has been mitigated.

The root cause of almost all suppressed accounts is returned refund checks due to a bad address. These refunds have been through normal processing in ITS which includes control checks before the check was initially issued, including review by the Refund Control Unit for those items above the threshold amounts. Additionally, the name and social security number are pre-printed on a check and cannot be changed, mitigating internal fraud.

In order to have the suppression released and the check reissued, a taxpayer must contact OTR’s Customer Service Administration and verify pertinent information related to the tax return. The customer service representative asks several probing questions to verify the taxpayer’s identity, including:

Individual Income Tax Returns

- Social Security Number.
- Complete name and address on return.
- Filing status on return.

Business Tax Returns

- Federal Identification Number or Social Security Number.
- Name and address of Company.
- Relationship to Company. (The caller must be listed in the company relationship as someone authorized to discuss the account).

Verification provides controls to mitigate external fraud. Based on the controls in place over the release of suppressions, OTR feels that the risk associated has been adequately mitigated.

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Unpaid Taxpayer Liabilities

As part of the fiscal year-end process, a Senior Systems Accountant from the Revenue Accounting Administration (RAA) downloads a report of all unpaid taxpayer liabilities (e.g. accounts receivable) as of September 30 from ITS. This report is reviewed to ensure the accuracy of the tax receivable accrual.

- 1) Informal guidelines state that the RAA Assistant Manager will review all taxpayer receivables over \$10,000. However, as the taxpayer receivable report contains receivable balances from a large number of taxpayers, it is not consistently possible to complete a review of all taxpayer accounts over \$10,000 prior to the date that final journal entries for the fiscal year-end close process are required to be posted to the general ledger. Further, taxpayer receivable balances less than \$10,000 are only reviewed at random if and when the review of balances over \$10,000 is completed. In addition, taxpayer receivable balances consistently change during the review process as new activity related to prior fiscal periods is posted into ITS. Account balances in ITS are updated on a daily basis and the receivable balance as of fiscal year-end is subject to change. As such, the population of tax receivable accounts over \$10,000 may increase and all or new added balances may not be selected for management's review.
- 2) A process has also not been established to identify potentially erroneous tax receivables caused by known issues. For instance, ITS will automatically calculate a tax liability for non-resident tax filers that show earned income and a zero tax liability on the tax return. In these instances, although the taxpayers indicate on the tax return that they are non-residents of the District, they fail to indicate that none of the income was earned in the District. This is a recurring problem that is encountered by RAA when reviewing taxpayer receivables during the fiscal year-end close process. However, a report is not generated to identify receivable balances from these types of taxpayer accounts so that review of these accounts can be prioritized. The total receivable overstatement identified due to this error was approximately \$13 million and an adjustment was processed to correct the September 30, 2009 balances.

Without established guidelines and adequate report writing tools, a risk exists that erroneous receivable balances may be recorded in the financial statements and not corrected or identified in a timely manner. We recommend that management consider the following:

- Management should establish defined guidelines to follow for review of the taxpayer receivable balances, including timely review and monitoring to help ensure that the account balances are correct and up-to-date. In particular, any adjustments deemed necessary should be posted before year-end to help ensure valid and accurate balances.
- Management should determine if ad-hoc reports can be run to identify taxpayer receivable balances that are prone to historical errors. For example, an ad-hoc report of receivable balances for high income, non-resident taxpayers.
- Management should develop criteria to identify high risk taxpayer receivables.

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- Management should revise the policy of reviewing all taxpayer receivable balances over \$10,000 so that the population of taxpayer accounts to be reviewed can be scaled back to a more manageable level.
- Management should perform a thorough review of account balances to identify and minimize data entry errors.

Management's Response:

OTR recognizes the risk associated with potential misstatements of accounts receivable (A/R) in the financial statements, and generally concurs with the recommendations suggested for the improvement and accuracy of the balances reported as part of the year end process. Many of these practices were in place prior to FY 2009.

At the beginning of FY 2009, in an effort to provide additional segregation of duties, RAA modified the security profiles of employees to restrict the ability to make taxpayer account adjustments. Prior to that time, a Senior Systems Accountant performed a daily review of all A/R balances posted to ITS. This allowed for a timely review of all balances greater than \$10,000 and a weekly submission to the Returns Processing Administration (RPA) of all balances between \$5,000 and \$10,000 for similar review and correction. This allowed for balance correction prior to year-end. The only balances that would need an after year-end review would be those that posted right around that time.

Prior to the year-end close, RAA would submit the results of its review to RPA so that it could be made aware of the types of errors found and make necessary adjustments to processes and procedures to prevent the errors from continuing on an ongoing basis.

This included keying errors, the issue with out-of-state residents, and any other issues that arose during the review. The review that RAA performed was instrumental in correcting these errors in a timely manner.

The change to this practice improved controls over the adjustment function, as noted in prior year findings, but has had an impact on the timeliness of adjustments to A/R balances. RAA will work to institute new procedures OTR-wide that will ensure a timely correction of balances, while maintaining the segregation of duties that precipitated the change in historical practices. Recognizing that A/R adjustments will be determined and posted to taxpayer accounts throughout the fiscal year, RAA will enhance and document existing procedures to monitor and track post-September 30 A/R adjustments that affect financial statement balances for inclusion in the final revenue lead and supporting schedules.

The FY 2009 year-end close also differed from prior years in that RAA had to perform several additional receivable reviews to identify erroneous receivables associated with a specific group of taxpayers. While most of these items were discovered and adjusted timely, each additional receivables report that was run increased the risk of additional review items entering the stream.

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These additional reports would not have been run in a normal year and created a significant time pressure. Because of the extraordinary nature of these additional report runs, the new items picked up were not subjected to the normal rigorous review process. While ad-hoc reports probably would not be helpful in identifying the kinds of errors cited, RAA will develop a checklist of known issues and criteria for review to ensure that all A/R is subject to the same rigorous review.

Manual Tax Processes (ITS)

Hold for Pickup (HFP) Tax Refund Check Requests

As of May 2009, management implemented a revised policy to establish clear guidelines and procedures for handling checks designated as HFP. Per this policy, all HFP checks should have:

- 1) A form which indicates the administration requesting the tax refund.
- 2) The name of the taxpayer receiving the tax refund.
- 3) The amount of the tax refund.
- 4) The reason the tax refund check is held for pick-up.

For the 2 HFP checks selected for our test work, we noted that the required form to request a HFP check was missing. To enhance controls, management should ensure that its process designed for hold-for-pickup checks is followed.

Management's Response:

Although we recognize the risk of possible fraud associated with the Hold For Pickup process, it must be noted that controls have been implemented in both OTR and the Office of Finance and Treasury (OFT), with OFT executing the primary control function. Both OTR and OFT have established policies and procedures that have substantially reduced the risk and significantly reduced the number of checks that are held for pickup.

The currently implemented process demonstrates and evidences several controls:

- Specific documentation requirements outlined in formal procedures.
- Segregation of duties demonstrated by movement of work through the Real Property Tax Administration (RPTA) and Revenue Accounting Administration (RAA) within OTR and through OFT outside of OTR.
- Clear guidelines that substantially limit HFP refunds.
- Secondary review provided by OFT.
- Limited access to funds using Customer Service Administration (CSA) as the sole distributor of these refunds.
- Identification required by customers who pickup refunds.

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In addition, to specifically address the finding stating that OTR failed to provide supporting documentation that is required to request the HFP check, an email with the pertinent information that is required per policies and procedures is a part of the refund request package.

In the case of the particular refunds identified by the audit process, these refunds were necessitated by the sudden cancellation of the annual tax sale due to pending court action, and so it was determined that deposits placed by prospective tax sale buyers should be refunded expeditiously due to the critical nature of the situation. Because of the emergency nature and high dollar value of the refunds, an email request documented the need for "Hold for Pick Up", and the request was submitted and approved by OFT in accordance with its policies and procedures.

Revenue Accounting Administration

Since the names and titles of the preparers, reviewers, and approvers is not documented on the SOAR Refund Revenue Voucher (SRRV) form, it is not possible to identify the individuals who were involved in preparing and authorizing a manual tax refund request. Without this information, it is difficult to determine if an authorized employee has prepared or approved a manual tax refund request.

A risk exists that unauthorized individuals may prepare or approve a manual tax refund request. To enhance controls, we recommend that the SRRV provide space for preparers, reviewers, and approvers to not only sign, but also print their full names and titles.

Management's Response:

OTR recognizes the risk associated with unauthorized individuals preparing and approving manual refund requests. During the course of FY 2009, OTR made the recommended changes to the SRRV form and trained end users on the new form. However, because the Real Property Tax Administration (RPTA) uses preprogrammed forms from their administrative database to initiate manual refunds, the changes in that administration could not be implemented until after the end of the fiscal year.

More importantly, in mitigating the risk of unauthorized refunds, OTR has implemented the following controls:

- Specific documentation is required for all refund requests and outlined in the Refund Directive. Periodic refresher training on the Refund Directive is provided to end users to reinforce the requirements.
- A tiered review process is in place to attest to the adequacy of documentation and the accuracy of the refund request, evidenced by a signature, based on the dollar amount of the request.
- The review cycle requires additional due diligence for requests greater than \$50,000, though all requests over \$10,000 are reviewed (\$1,000 for Real Property refunds).
- The population of reviewers of requests is limited to managers, and the reviewer list and authorized signatures are managed in the Revenue Accounting Administration (RAA).
- Quarterly reviews are performed to ensure the integrity of the reviewer list.

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Other Issues

Reconciliation Between Tax Sale Ledger, D.C. General Ledger, and SOAR

Management has not reconciled activity in the Tax Sale Ledger, the D.C. General Ledger, and SOAR, the District's accounting system of record, for fiscal years prior to 2009. Management has completed this reconciliation for FY 2009. Listed below is a brief description of the three systems:

- *Tax Sale Ledger* – This database contains properties available for sale during the current tax sale year, information of Buyers that are participating in the tax sale, record of initial deposits made by the prospective buyers, the winning bid amount for the property, and the subsequent settlement payment to complete the purchase made by the Buyer. A database is created for each tax sale year. This data base is used to support refunds to individuals that made deposits to participate in the tax sale but did not win any bids. Therefore, the deposit amount has to be refunded to these individuals.
- *D.C. General Ledger* – This is a consolidated database of all properties that have been purchased at the Tax Sale through various years and the corresponding purchase amount for the properties and the Buyer information. This database is used to support the refunds to Buyers due to cancellation of the tax sale, redemption of the tax lien property by the original owner, or successful foreclosure on the tax lien property.
- *SOAR* – This is the general ledger financial accounting system of the District.

Management did contract an outside consulting firm in October 2008 to reconcile these systems; however, the reconciliation was never completed. Management is now in the process of selecting a new system to track and record the Tax Sale process and plans to implement the new system by FY 2012. At this time, management has determined that it is not cost effective to invest additional time and funds into reconciling systems that will be replaced.

As the reconciliation of activity between these systems has not been completed, a risk exists that potential adjustments to the financial statements have not been identified and recorded by management. Based on the preliminary reconciliation work completed by the former consulting firm, management should determine, what adjustment, if any, is to be recorded to the financial statements.

Management's Response:

OTR recognizes the risk that potential adjustments to the general ledger (SOAR) have not been recorded, and agrees that there is more work to be done in fully reconciling these ledger systems for prior years. At this time, the final deliverables due from the outside consulting firm are outstanding. The most critical of these is the determination of all outstanding liabilities potentially due to tax sale purchasers. The most likely adjustment to SOAR would be a recordation of revenue from tax sale forfeitures, which is likely to be a small amount.

OTR will continue to work to ensure that correct balances for each prior tax sale year are determined and the appropriate adjustments are made in SOAR, based on the workpapers provided by the consultant. As noted, OTR has also implemented processes to conduct monthly reconciliations of these systems during the year and to ensure that all current tax sale activity is recorded in SOAR at the time of the transaction.

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Homestead Tax Credit Program

During the testing of controls over the Homestead and Senior Citizen Tax program, we noted the following:

- 1) There was no consistent audit trail or evidence of review of Homestead applications; this is specifically related to applications received in prior years and processed outside of the Homestead Unit within the Real Property Tax Administration (RPTA) department of OTR.
- 2) A Homestead credit is only allowed for one property which is the property in which the owner resides in during the year. We noted that because of inconsistent reviews of the Homestead applications, there were many instances of individuals receiving multiple Homestead credits for multiple properties. This lack of review has also resulted in a cap credit deficiency, which allowed individuals with multiple properties to receive the cap credit on more than one property.
- 3) At our request during the audit process, OTR researched its database and determined that incorrect Homestead credits may have been given on at least 353 properties.
- 4) Certain categories of non-individuals, including LLCs, which are ineligible for the Homestead credit, received this credit. These entities also received the Assessment Cap Credit to which they were not entitled.
- 5) We also noted that in 25 out of 45 items selected for testing, the homestead application form was not included in the supporting documentation provided to us for review. We were informed that these application forms were in the process of being scanned into the OTR system by a third party service provider. As a result, we were unable to determine if the application forms had been appropriately reviewed, and whether the information from the application form (e.g. names, addresses, etc.) had been accurately entered into the ITS system.

The District does not appear to have a proper and comprehensive review process in place, which would have allowed management to identify these errors related to the incorrect application of credits. Failure to properly and comprehensively review and approve applications can result in employees granting improper tax deductions and credits to ineligible entities which can result in lost revenue to the District. We recommend that management consider centralizing the approval process and ensure that only eligible entities are allowed these tax credits. In addition, we recommend that evidence of review be properly documented to provide a better audit trail of the transactions.

Management's Response:

The current processes clearly demonstrate and evidence several controls and are as follows:

- ASD centralized the review and approval process of the homestead and senior citizen applications by removing the Maps & Titles Unit from the process (e.g. granting the homestead credit) - January 2009.

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- ASD has acquired full access to the Data Warehouse which serves as a single pathway to multiple separate databases, which are critical to the homestead unit: Department of Motor Vehicles, Voter Registration, Vital Statistics, Recorder of Deeds, and Income Tax Returns. Such tools allow the staff to validate data that is presented on the application - March 2009.
- ASD developed and implemented the use of a desktop procedures manual specifically focused on the review and validation process of the homestead and senior credit application - May 2009.
- ASD and the office of the General Counsel have engaged in developing a robust decision matrix for the homestead and senior citizen credit - In Progress.
- ASD developed and implemented a mass audit plan - August 2009.
- ASD developed and implemented the review of the "Monthly Sales Report". This report review mitigates the risk of the homestead credit rolling over to the next owner without completing the necessary documents. The Homestead Unit researches each property listed on the report and generates a Homestead audit letter, when applicable. Additionally, this report will prevent a homestead credit rollover to an LLC after a sale - January 2009.
- ASD separated core responsibilities within the Homestead unit to ensure segregation of duties. For example, the auditors do not process any new homestead applications. The auditors are responsible for reviewing a sample of applications on a monthly basis for quality assurance purposes and conducting the mass audits - August 2009.
- ASD performed targeted mini-audits for specific groups, such as properties with multiple owners, LLCs, Trusts, etc., billing address outside of the City - January 2009.
- ASD implemented a homestead and senior citizen application tracking system which contains further audit trail capabilities - January 2009.
- ASD scans all images for homestead and senior citizen credit applications via Alchemy from 2001- 2009, which was not previously available - December 2009.
- Homestead Manager receives a weekly staff report regarding homestead granted, removed and the corresponding revenue impact - August 2009.
- Homestead Manager conducts a monthly quality review of work assignments to ensure consistency and accuracy - November 2009.
- Homestead Manager incorporated the use of ITS notes generated from the staff as an audit trail; additionally a standardized set of notes from ITS is in the process of being developed - Ongoing.

Further improvements underway include:

- ASD has requested access to view income tax returns through ITS which were filed electronically (ELF System). Currently, the unit has view-only access to such returns filed through a hard copy. Such access will allow staff to validate income and domicile information for homestead and senior citizen credit applicants.
- ASD is working with the Returns Processing Administration to improve the use of its Correspondence Tracking System to alleviate current delays in the delivery of ASD related documents (e.g. homestead cancellation requests).

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ASD and the Chief Risk Officer of the Office of Chief Financial Officer (OCFO) have partnered in a large scale Risk Management Program that continues to identify possible risks and discuss options to reduce such risks.

Reconciliation of Withholding Payments

During FY 2009 there was no match of withholding payments received by the District from employers or taxpayers to the tax payments reported on the tax returns. Therefore, a tax refund may be issued to a taxpayer without knowing if the taxpayer has in fact made the tax payments to the District. To ensure that tax payments reported on tax returns have been received by the District, management should consider instituting a process to match the following:

- 1) Taxpayer withholding payments received by the District to tax payments reported on tax returns.
- 2) Withholding information received from employers to the withholding amount indicated on the tax returns.

Although management has indicated that reconciling withholding information from employers and/or taxpayers is not feasible during tax filing season, they have begun to develop a program to address this concern after the tax filing season and as an audit tool to detect potentially fraudulent tax filers. Management anticipates that new procedures to address this risk will be implemented by December 2010.

Management's Response:

OTR recognizes the risk of processing incorrect refunds based on overstated withholding information on filed returns. We have indicated that in a high volume tax processing environment, it is not feasible to reconcile employer withholding information during the tax season and would substantially increase fiduciary, customer service, and reputational risks. OTR begins processing individual income tax returns beginning in January, and the W-2 filing for employers is not due until the end of February, which would make it impossible to match withholding payments on early filed returns. OTR has implemented a reasonable preventative control, an Automated Fraud Program (AFP), that performs the following examination:

- For all individual returns (1040 and 1040-EZ) filed with refunds greater than \$250, perform the following:
 - a. Match the Social Security Number (SSN) of the taxpayer on the return against the external data residing in the Enterprise Data Warehouse (EDW), not including any record of previous tax filings. If a return is a joint return then also perform the matching process on the SSN of the secondary taxpayer.
 - b. For the returns with SSNs NOT found in the EDW, create review items using the description "SSN not in EDW".

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As indicated in the recommendation, OTR is implementing a post-audit program in FY 2010. This detective control will match employer's withholding payments to the taxpayer return. The primary focus is to identify fraud where the taxpayer entered more withholding than entitled. Additionally, in the FY 2010 filing season, OTR has implemented another automated screening program to identify returns with disproportionate amounts of withholding, in order to provide another level of preventive control on potentially fraudulent refunds.

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2009-04 Procurement Regulations

The District's procurement transactions are primarily governed by statute, as well as rules and regulations outlined in the District of Columbia Municipal Regulations (DCMR). In addition, the Mayor, Chief Financial Officer, and Director of the Office of Contracting and Procurement can issue directives, orders, and memorandums governing procurement actions.

The District established the Office of Contracting and Procurement (OCP) in 1997 to improve acquisition outcomes. OCP functions as the District's lead contracting office on behalf of a significant number of District agencies and departments. For FY 2009, OCP was responsible for procuring approximately \$1.2 billion worth of goods, services, construction, and information technology through the Procurement Automated Support System (PASS).

Several other District agencies also perform procurement independently. Some of these include the Office of the Chief Financial Officer (OCFO), Child and Family Services Agency (CFSA), the District of Columbia Public Schools (DCPS), and the Department of Mental Health (DMH). Following are the issues, grouped thematically by agency (dependent and independent), as noted during our testing performed in conjunction with the audit of the FY 2009 Comprehensive Annual Financial Report (CAFR).

Data Quality, Accuracy, and Completeness for All Agencies (OCP and Non-OCP Supported)

While the selected agencies provided contract information, these agencies could not confirm the completeness of this information. The absence of a centralized tracking tool or database inhibits the ability to verify completeness of contracts awarded, the amounts awarded, and status of each contract entered into. Further, the maintenance of a database is critical in the evaluation of controls. We further noted that while the contracts data field in PASS is a required field, it is a manually entered data field. As such, we could not validate the accuracy and completeness of contracts referenced to in purchase orders.

We recommend that the District consider the design and maintenance of a centralized tracking system (database) with information that identifies the amount and status of each contract for all procurement. We further recommend that the District strengthen controls over its current contracting database(s). It is critical that periodic reviews are conducted during the year to ensure the integrity of the database information. Commodity managers should be responsible for the review of the information and a report documenting any errors and their disposition should be communicated to senior management with appropriate corrective action performed in a timely manner.

Management's Response:

OCP, in conjunction with the Office of the Chief Technology Officer (OCTO), satisfied last year's recommendation to "consider the design and maintenance of a centralized tracking system (database)." In December 2009, OCP awarded the contract for the implementation of the ARIBA Contract Compliance (ACC) module, which will serve as a centralized repository of all District contract information. As of January 2010, OCP, OCTO, and the vendor initiated the implementation kick-off.

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Throughout FY 2010, and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) Defining the User Requirements; (2) Customizing & Developing the system; (3) Conducting User Testing; and (4) Implementation (which includes both a communication and training plan for users). Equally critical to the successful implementation of the ACC module and full remediation of this finding will be the migration of the current, active contracts from OCP and the independent agencies into PASS.

Missing Documentation at OCP and its Supported Agencies

Throughout the performance of our sample testing, we noted noncompliance issues which have been classified as involving instances where either: (1) a requested contract file folder was not found/provided; (2) a specific document type from within a provided contract file folder was deemed missing; or (3) a specific document type from within a provided contract file folder was deemed inaccurate or incomplete.

Procurement Transactions Greater than \$1 Million

- 1) There were 13 instances at OCP where there was no evidence of City Council approval.
- 2) There were 14 instances at OCP where there was no evidence of OAG approval.
- 3) There were 9 instances at OCP where no information was provided for the purchase orders in our sample.
- 4) There were 3 instances at OCP where evidence of the agency fiscal officer or designee approval of the purchase requisition was not provided for review.
- 5) There were 3 instances at OCP where evidence of the Budget Officer or designee approval of the purchase requisition was not provided for review.
- 6) There were 2 instances at OCP where evidence of the Contracting Officer approval of the purchase requisition was not provided for review.

Limited Competition Small Purchase Threshold

- 1) There were 4 instances at OCP where no information was provided for the purchase orders in our sample.
- 2) There was 1 instance at OCP where the sole source determination and finding documentation was not provided.
- 3) There was 1 instance at OCP where the three required quotes were not provided.
- 4) There were 9 instances where we were not provided contracts for purchases which cumulatively exceeded the dollar threshold for small purchases.

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Competitive Small Purchases Requirement of Three (3) Oral Quotes

- 1) There were 10 instances at OCP where no quotes were provided for review.
- 2) There were 14 instances at OCP where less than the three (3) required oral quotes were available for review.
- 3) There was 1 instance at OCP where evidence of the Agency Fiscal Officer or designee approval of the purchase requisition was not provided for review.
- 4) There was 1 instance at OCP where evidence of the Budget Officer or designee approval of the purchase requisition was not provided for review.
- 5) There were 2 instances at OCP where evidence of the Contracting Officer approval of the purchase requisition was not provided for review.

Competitive Small Purchases Requirement of Three (3) Written Quotes

- 1) There were 22 instances at OCP where no quotes were provided for review.
- 2) There were 2 instances at OCP where less than the three (3) required written quotes were available for review.
- 3) There was 1 instance at OCP where the Budget and Fiscal Officers did not approve the requisition.

Signed Contract Not Available for Review

- 1) During our test work over procurement transactions greater than \$1 million, we noted 8 instances at OCP where signed contracts were not available for our review.
- 2) During our test work over the limited competition small purchase threshold requirement, we noted 8 instances at OCP where signed contracts were not available for our review.

Accuracy and Completeness of Procurement Transactions

- 1) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at OCP where the contract expired before the period of service on the purchase order.
- 2) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at OCP where the sole source determination was certified by the Procurement Officer after the purchase order date.

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- 3) During our test work over the competitive small purchases requirement of three (3) oral quotes, we noted 1 instance at OCP where the sole source determination and findings were not approved by the Contracting Officer.
- 4) During our test work over the competitive small purchases requirement of three (3) written quotes, we noted 2 instances where OCP provided contracts instead of the required three written quotes. However, the contracts did not cover the purchase periods.
- 5) During our test work over the competitive small purchases requirement of three (3) written quotes, we noted 1 instance at OCP where the sole source determination and findings was not approved by the Contracting Officer.

Management's Response:

In conclusion to this FY 2009 CAFR audit, management's immediate focus and attention will be to take corrective action on these findings and ensure the completeness of the contract files and records.

There were a number of contributing factors to explain why some of our identified contract files were "not provided". A number of the contract files were not readily accessible because of: (1) movement/transfers between agency offices; or (2) personnel changes (e.g., left the employment of the District or transferred jobs within the District) amongst the Contracting Officers. Another allotment of contract files identified as "not provided" stemmed from weak controls over the custody of contract files. Finally, another segment of the contract files or documentation not provided supported transactions that only when aggregated would be above \$100,000 or \$1,000,000. Since OCP contends these were discrete procurements, the documentation requested does not exist and is not required.

Throughout the final days of testing, and with the increased collaboration between the procurement staff of OCP and agencies with delegated authority, many of the requested contract files were identified. It is believed that with more time, the remaining contract files would also have been provided. Management nonetheless accepts these findings and remains committed to conducting a post-CAFR audit reconciliation to locate the contracts identified as "not provided".

While OCP acknowledges the many long-standing documentation issues that continue to plague this agency, management has undertaken two significant efforts aimed at remediating these matters. The first, which began in the fourth quarter of FY 2009, involved utilizing PASS to electronically manage and retain the documentation to support small purchases transactions rather than paper files. Eliminating the need to maintain paper files for small purchases, which in FY 2009 accounted for over 80% of the total purchase orders, will contribute significantly toward reducing the risk of losing contract files and/or documentation contained within a traditional hard copy file.

The second effort involves the large contract file management redesign initiative which was launched in August 2009 and is targeted for completion (full remediation) in FY 2010. Simply stated, the goal of this initiative is intended to ensure that all new large contract files are accurately accounted for and contain the required supporting documentation. Other management actions to be initiated in FY 2010 that will support our remediation efforts will also include:

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- Communication of Findings & Remediation Activities: As a follow-up to the issuance of the final FY 2009 CAFR report, OCP management will take action to share with both the OCP procurement staff, as well as other District procurement professionals within the Independent Agencies, a digest of the lessons learned from the FY 2009 CAFR. Emphasis will be placed upon framing the root cause of the issues, and setting the proper level of expectation related to compliance with procurement laws and regulations.
- Tightening of Management Controls: Management will underscore the use of proper contract file preparation, including the use of checklists to ensure accurate and complete file preparation. Additionally, contracting officers will be held accountable for the completeness of contracting files, as well as their safe custody, as evidenced by their approval of the accompanying checklists. Our records management staff, as OCP's document custodians, will be held responsible for the proper identification, safeguarding, and completeness of all large contract file folders in their custody. Finally, starting in FY 2010, all contract files over \$100,000 will be scanned as they are awarded and maintained in an electronic repository.
- Improving Oversight: OCP recognizes that the findings in this area relate to quality assurance. Through the agencies Office of Procurement Integrity & Compliance (OPIC) division, a number of control measures to address these issues will be instituted. More specifically, on a periodic and recurring basis, OPIC will perform contract file compliance reviews (quality assurance checks) aimed at ensuring that the accuracy and completeness of the contract files are maintained in accordance with all requirements. Finally, on a regular basis, information in the contract file room database will be compared with information in the contract awards database to identify any gaps.

Missing Documentation at Independent Agency - OPEFM

Throughout the performance of our sample testing, we noted noncompliance issues which have been classified as involving instances where either: (1) a requested contract file folder was not found/provided; (2) a specific document type from within a provided contract file folder was deemed missing; or (3) a specific document type from within a provided contract file folder was deemed inaccurate or incomplete.

Procurement Transactions Greater than \$1 Million

- 1) There was 1 instance at OPEFM where there was no evidence of OAG approval.
- 2) There was 1 instance at OPEFM where there was no evidence of City Council approval.

Signed Contract Not Available for Review

- 1) During our test work over procurement transactions greater than \$1 million, we noted 3 instances at OPEFM where signed contracts were not available for our review. For the contracts that were provided, there was no reference to purchase orders requested.

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- 2) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at OPEFM where the signed contract was not available for our review.

Management's Response:

Procurement Transactions Greater than \$1 Million – Each of the POs was issued as a single transaction because they are part of specific D.C. Public Schools modernization project that are implemented under various completion schedules. None of the individual POs was in excess of \$1 million and therefore did not require D.C. City Council or Attorney General approval.

Signed Contract Not Available for Review – In the first issue, the base contract was approved by the D.C. City Council on July 28, 2008 by Emergency Act A17-0464. Change Order No. 3 was a “tipper” over the \$1 million review threshold and was affirmatively ratified by the D.C. City Council at its December 16, 2008 hearing under Resolution 17-943. This resolution was published on January 23, 2009 in Volume 56, Page 724 of the D.C. Register. In the second issue, a competitively procured contract was previously awarded by the DCPS contract staff and at the time, the work was funded by a federal grant. However, the federal grant expired before the equipment was installed, so the original contract was de-obligated due to a lack of funding. These purchase orders provided the necessary funding to install the involved play sets.

Missing Documentation at Independent Agency - CFSA

Throughout the performance of our sample testing, we noted noncompliance issues which have been classified as involving instances where either: (1) a requested contract file folder was not found/provided; (2) a specific document type from within a provided contract file folder was deemed missing; or (3) a specific document type from within a provided contract file folder was deemed inaccurate or incomplete.

Procurement Transactions Greater than \$1 Million

- 1) There was 1 instance at CFSA where there was no evidence of City Council approval.

Competitive Small Purchases Requirement of Three (3) Oral Quotes

- 1) There was 1 instance at CFSA where the required three (3) oral quotes were not available for our review.

Signed Contract Not Available for Review

- 1) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at CFSA where the signed contract was not available for our review.
- 2) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at CFSA where the cumulative purchase orders issued for the same services exceeded \$100,000; but there was no signed contract available for our review.

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Accuracy and Completeness of Procurement Transactions

- 1) During our test work over the competitive small purchases requirement of three (3) oral quotes, we noted 1 instance at CFSA where the requisition was not approved by the Agency Fiscal Officer or alternate designee at the time of the purchase order issuance date.

Management's Response:

Procurement Transactions Greater than \$1 Million - CFSA accepts this finding. Although, the procurement was approved by the City Council, the approval was not in the case file.

Competitive Small Purchases Requirement of Three (3) Oral Quotes - CFSA accepts this finding.

Signed Contract Not Available for Review - Purchase Orders for both were issued against existing contracts. Contract files are available for review but the audit review period had expired.

Accuracy and Completeness of Procurement Transactions - Page 2 of the requisition provided for review will clearly indicate that the funds commit process occurred prior to the funds integration process. It is not possible to encumber a purchase order in PASS without the existence of a requisition. The notation on the front of the requisition which indicates that an action occurred in April 2009 is merely the date when an attempt to edit the requisition was made. Additionally, three quotes were received for this procurement.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

2009-05 Quick Payment Act

The Quick Payment Act of 1984 states, in part, the following:

In accordance with rules and regulations issued by the Mayor of the District of Columbia ("Mayor"), each agency of the District of Columbia government ("District"), under the direct control of the Mayor, which acquires property or services from a business concern but which does not make payment for each complete delivered item of property or service by the required payment date shall pay an interest penalty to the business concern in accordance with this section on the amount of the payment which is due.

Specifically, the due dates required are as follows:

- 1) The date on which payment is due under the terms of the contract for the provision of the property or service;
- 2) 30 calendar days after receipt of a proper invoice for the amount of payment due;
- 3) In the case of meat or a meat food product, a date not exceeding seven calendar days after the date of delivery of the meat or meat food product; and
- 4) In the case of agricultural commodities, a date not exceeding seven calendar days after the date of delivery of the commodities.

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

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

For the year ended September 30, 2009, we noted 248 instances where the District failed to comply with the Quick Payment Act.

Management's Response:

Prompt payment is dependent upon quick approval of valid vendors' invoices by an agency's program office. Certification of delivery of services or goods must be communicated to the agency's finance division before vendor payments can be made. Management will increase efforts to assure compliance with the Quick Payment Act.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

2009-06 Expenditures in Excess of Budgetary Authority

The Anti-Deficiency Act states, in part, the following:

A District agency head, deputy agency head, agency chief financial officer, agency budget director, agency controller, manager, or other employee may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund.

The Home Rule Act states, in part, the following:

No amount may be obligated or expended by any officer or employee of the District of Columbia government unless such amount has been approved by an Act of Congress, and then only according to such Act.

Section 301 of the D.C. Appropriations Act 2005, enacted October 18, 2004, states, in part, the following:

Whenever in this Act, an amount is specified within an appropriation for particular purposes or objects of expenditure, such amount, unless otherwise specified, shall be considered as the maximum amount that may be expended for said purpose or object rather than an amount set apart exclusively therefore.

The District's basic financial statements state in note 1, "Appropriated actual expenditures and uses may not legally exceed appropriated budget expenditures and uses at the function level. A negative expenditure variance in the budgetary comparison statement for a particular function is a violation of the Anti-Deficiency Act and the District of Columbia Anti-Deficiency Act. Also, a violation of the Anti-Deficiency Act exists if there is a negative expenditure variance for a particular purpose or object of expenditure within an appropriation."

At September 30, 2009, the Child and Family Services Agency (CFSA) had overspent its local budget by approximately \$23,402,000. This was a result of potential disallowances from previous years with respect to Medicaid cost report audits, and management has estimated additional potential disallowances and reflected these as accrued liabilities in the accounting records at year-end for CFSA. Additionally, the District forgave certain debt owed to it by the Sports and Entertainment Commission and this resulted in an unbudgeted write-off expenditure of approximately \$4,513,000. These two items are in violation of the Anti-Deficiency and Home Rule Acts.

Management's Response:

Up until January 31, 2009, CFSA was claiming Medicaid funding for two services—Targeted Case Management (TCM) and Rehabilitative Services (Rehab. Option). During the FY 2008 CAFR closing period, audited cost reports were completed for two fiscal years (FY 2004 and FY 2005) on these programs. The audits concluded that due to a lack of documentation in support of claiming for these services, the District owed the Federal government significant reimbursement for claims that had been disallowed for these years.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

During FY 2009, the CFSA Director conducted an assessment of current Medicaid claiming operations to determine if the documentation issues raised in FY 2004/FY 2005 persisted. The assessment was conducted and the CFSA Director concluded that additional time would be needed to adequately address the issues raised in the cost report audits and that the agency could not continue claiming without the risk of incurring future significant disallowances. As a result of that conclusion, and in consultation with the Office of the City Administrator (OCA) and the Department of Health Care Finance, CFSA Medicaid billing was halted on January 31, 2009.

As a result of the CFSA Director's review and determination that additional time would be needed to adequately address the issues raised in the cost report audits and the subsequent decision to halt Medicaid claiming, receivable balances totaling approximately \$32.1 million were written-off during the FY 2009 CAFR closing period.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Section III – Federal Award Findings and Questioned Costs

District Agency – Department of Health Care Finance (DHCF)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-07	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA – Medical Assistance Program CFDA Number: 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Allowable Costs: Escheated Warrants	Not Determinable

Criteria or Specific Requirement – Title 42 CFR section 433.40 requires the following:

(c) Refund of Federal financial participation (FFP) for uncashed checks—(1) General Provisions. If a check remains uncashed beyond a period of 180 days from the date it was issued (i.e., the date of the check), it will no longer be regarded as an allowable program expenditure. If the State has claimed and received FFP for the amount of the uncashed check, it must refund the amount of FFP received.

(2) Report of Refund: At the end of each calendar quarter, the State must identify those checks which remain uncashed beyond a period of 180 days after issuance. The State agency must refund all FFP that it received for uncashed checks by adjusting the Quarterly Statement of Expenditures for that quarter. If an uncashed check is cashed after the refund is made, the State may file a claim. The claim will be considered to be an adjustment to the costs for the quarter in which the check was originally claimed. This claim will be paid if otherwise allowed by the Act and the regulations issued pursuant to the Act.

(3) If the State does not refund the appropriate amount as specified in paragraph (c)(2) of this section, the amount will be disallowed.

(d) Refund of FFP for cancelled (voided) checks-(1) General provision. If the State has claimed and received FFP for the amount of a cancelled (voided) check, it must refund the amount of FFP received.

(2) Report of Refund: At the end of each quarter, the State agency must identify those checks which were cancelled (voided). The State must refund all FFP that it received for cancelled (voided) checks by adjusting the Quarterly Statement of Expenditures for that quarter.

Condition – DHCF is required to identify cancelled and uncashed checks beyond a period of 180 days of issuance at the end of each calendar quarter and refund all Federal Financial Participation (FFP) received for uncashed checks by adjusting the quarterly CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program*. We noted that DHCF did not identify cancelled or uncashed checks over 180 days after issuance and refund the corresponding FFP in a timely manner.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

The Office of Financial Operations and Systems (OFOS) provides a list of cancelled and uncashed checks to DHCF once a year, usually in June or July, listing cancelled and uncashed checks for the preceding calendar year.

DHCF reviews the list of cancelled and uncashed checks and determines whether to reissue a new check. However, based on DHCF's current methodology, cancelled and uncashed checks have the potential to remain outstanding for over a year. Checks issued during the calendar year are not reviewed until the following year which potentially results in untimely refunds of the FFP to the Federal government.

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

Effect – DHCF is potentially not in compliance with 42 CFR section 433 which results in untimely refunds of the FFP to the Federal government. There is also potential for disallowed costs that were never refunded due to checks remaining uncashed beyond a period of 180 days from the date of issuance.

Cause – DHCF does not have adequate policies and procedures in place to request and review the cancelled and uncashed check report on a quarterly basis as required. Furthermore, checks can remain uncashed beyond a period of 180 days from the date of issuance and not be identified due to the process in place which has the potential to create disallowed costs.

Recommendation – We recommend that DHCF comply with the requirements in 42 CFR section 433 and establish adequate policies and procedures to ensure that cancelled and uncashed checks over 180 days from the date of issuance are identified on a quarterly basis and all FFP received for uncashed checks are refunded to the Federal government in a timely manner. In addition, we recommend that DHCF identify cancelled and uncashed checks over 180 days after issuance for FY 2009 and refund the amount of FFP and any interest liability incurred as a result of the delay.

Views of Responsible Officials and Planned Corrective Actions – DHCF follows the District policy of annual review and cancellation of escheated warrants. The District produces the listing for each agency on a calendar year basis. This means that the listing is not produced until July or August of the following year (allowing for the 180 days after calendar year end). The checks are reviewed by DHCF and if canceled, the proper credit is given to Centers for Medicare and Medicaid Services (CMS) on the CMS-64 for the quarter ending September 30.

In addition, DHCF requested that the Office of Financial Operations and Systems (OFOS) change the District's policy to conform to the Federal CFR for all escheated warrants. OFOS agreed to change the process for the Medicaid program. Starting with the quarter ended March 2009, OFOS began producing a listing of escheated warrants for the Medicaid program on a quarterly basis. However, due to staff vacancies, DHCF did not use the quarterly list and continued with past practice based on the annual report.

In FY 2010, the DHCF accounting unit is fully staffed and will review and cancel uncashed checks over 180 days old on a quarterly basis, within 30 days of receipt of the report from OFOS.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health Care Finance (DHCF)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-08	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA - Medical Assistance Program CFDA Number: 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Allowable Costs: Drug Rebates	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 requires that “within 30 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found.”

Centers for Medicare and Medicaid Services (CMS) issued a Medicaid Drug Rebate Program Release Number 29 dated May 11, 1993. In this Release Number, CMS clarified the calculation of interest under section V(b) of the rebate agreement. In addition, Release Number 29 revised the policy to include 7 additional days to allow sufficient time for the mailing and receipt of the State utilization data while reducing costs previously associated with return receipt requests. As a result of this policy change, interest begins to accrue on disputed or unpaid amounts after 37 calendar days from the date the State mails the State utilization data, as evidenced by a postmark of the United States Postal Service or other common mail carrier on the envelope.

Condition – Section 1927 of the Social Security Act allows States to receive drug rebates from manufacturers for all covered outpatient drugs. On a quarterly basis, drug manufacturers are required to provide their average manufacturers’ price and their best prices for each covered outpatient drug to CMS. CMS will then calculate a unit rebate amount for each drug and provide this data to each State. The State Medicaid agency must provide to manufacturers drug utilization data within 60 days of the end of the quarter. Upon receipt of the utilization data, the drug manufacturer has 30 days to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found.

DHCF contracts with a third party contractor, Affiliated Computer Services (ACS), to process drug rebates. Claims information submitted by providers to ACS through the District’s Medicaid Management Information System (MMIS) contains information on products and services received by participants. From this information, ACS is able to calculate the amount the District is owed from specific drug manufacturers in the form of drug rebates. ACS then bills the drug manufacturers on the District’s behalf. ACS receives the rebates from the manufacturers and forwards the check payments to DHCF.

We reviewed a sample of 20 rebates from drug manufacturers during FY 2009 totaling approximately \$2.1 million. During our review, we noted that the 1 of the 20 rebates sampled amounting to \$14,221 was received 28 days after the 37 day deadline. DHCF and ACS did not calculate the interest amount for the late payment nor did it require to the manufacturer to pay the late interest charge.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

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

Effect – DHCF lost revenue by not requiring the drug manufacturers to calculate and submit an interest payment with the rebate amount.

Cause – DHCF employees failed to follow existing policies and procedures which require drug manufacturers to submit rebates within the required timeframe.

Recommendation – We recommend that DHCF comply with Federal regulations and require drug manufacturers to submit rebates within the 37 day timeframe. In addition, for any late payments, we recommend that DHCF require drug manufacturers to calculate and include interest payments along with the rebate amount.

Views of Responsible Officials and Planned Corrective Actions – Effective August 6, 2009, DHCF changed its policy to collect interest from all drug manufacturers for the late payment of drug rebates and communicated the policy change to the rebate manager, ACS. Since implementation of the DHCF policy change, ACS has calculated and collected interest payments for all late payments.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health Care Finance (DHCF)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-09	U.S. Department of Health and Human Services Children's Health Insurance Program CFDA Number: 93.767 Grant Award Number: 05-0905DC5021 Grant Award Period: 10/1/08-9/30/09	Cash Management	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the Children's Health Insurance Program (CHIP) for the drawdown of funds:

- Provider payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of the request shall be for the exact amount of the disbursement.
- Non-payroll services require the use of the modified average clearance funding technique and a clearance pattern of 5 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 10 out of the 80 drawdowns made during FY 2009 totaling \$5,175,982 and noted that 1 of the 10 drawdowns sampled was not made in accordance with the provisions of the CMIA agreement. The reimbursement request for Revenue Collection Receipt (RCR) No. DA9MAD15 was made later than required by the CMIA agreement. The portion of the drawdown not in compliance totaled \$3,381 and was outstanding for 13 days.

Additionally, we noted that 1 of the 10 drawdowns (RCR No. DA9MED04) was improperly recorded to the CHIP program upon receipt of the funds in October 2008 and was not properly reflected within the program accounts of the Medical Assistance Program until November 2009.

Context – This is a condition identified per review of DHCF's compliance with the provisions of the CMIA agreement and other specified requirements.

Effect – DHCF is not in compliance with the provisions of the CMIA agreement. We noted one example where federal funds are requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

In addition, DHCF's lack of proper recording of federal cash drawdowns may lead to inaccurate reporting of revenues and inaccurate preparation of the Schedule of Expenditures of Federal Awards.

Cause – DHCF did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs and in properly recording the receipt of federal funds.

Recommendation – We recommend that DHCF comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs. DHCF should also establish internal control procedures to ensure that those funds are properly recorded to the correct grant in SOAR, the District's accounting system of record.

Views of Responsible Officials and Planned Corrective Actions – DHCF acknowledges that 1 draw for \$3,381 was completed 13 days later than required under CMIA. This was due to the absence of staff trained to do payroll and non-payroll draws. To prevent this from happening in the future, all members of the DHCF accounting staff will be trained on payroll and non-payroll draws.

With respect to the improper recording of funds to the program, DHCF accounting staff detected and corrected the error during the FY 2009 closing process. DHCF Fiscal Officer or Accounting Officer will review the posting entry against the cash draw for accuracy prior to submission to the Office of Finance and Treasury.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health Care Finance (DHCF)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-10	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA - Medical Assistance Program CFDA Number: 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Cash Management	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 Subpart C section .300 (a) states, "The auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity."

Condition – We reviewed 12 out of the 113 drawdowns made during FY 2009 totaling \$188,670,583 and noted that 1 of the 12 drawdowns sampled was improperly recorded in SOAR, the District's accounting system of record.

The reimbursement request for Revenue Collection Receipt (RCR) No. DA9MED04 totaling \$88,597 was drawn down for reimbursement of Medical Assistance Program expenditures, however, the funds were improperly posted to the Children's Health Insurance Program upon receipt of the funds in October 2008. During the FY 2009 year-end close process, DHCF identified the error and correctly posted the funds to the Medical Assistance Program in November 2009.

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

Effect – DHCF's lack of proper recording of federal cash drawdowns may lead to inaccurate reporting of revenues and inaccurate preparation of the Schedule of Expenditures of Federal Awards.

Cause – DHCF did not appear to exercise due diligence in recording the receipt of federal funds.

Recommendation – We recommend that DHCF drawdown funds based on actual cash needs and establish internal control procedures to ensure that those funds are properly recorded to the correct grant in the SOAR system.

Views of Responsible Officials and Planned Corrective Actions – The funds at issue were drawn timely and correctly, but initially posted incorrectly. DHCF accounting staff detected and corrected the error during the FY 2009 closing process. DHCF Fiscal Officer or Accounting Officer will review the posting entry against the cash draw for accuracy prior to submission to the Office of Finance and Treasury.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health Care Finance (DHCF)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-11	U.S. Department of Health and Human Services Children's Health Insurance Program CFDA Number: 93.767 Grant Award Number: 05-0905DC5021 Grant Award Period: 10/1/08-9/30/09	Eligibility	Not Determinable

Criteria or Specific Requirement – 42 CFR part 457 has specific requirements for the Children's Health Insurance Program (CHIP) that defines in detail the eligibility requirements, supporting documentation requirements, and record retention policies.

Condition – The District's Department of Human Services' (DHS) Income Maintenance Administration (IMA) is responsible for determining participant eligibility for CHIP. IMA uses the Automated Client Eligibility Determination System (ACEDS) to evaluate the eligibility of the applicant. We noted the following during our review of 45 participant files selected for testing:

- 3 participant files did not have signed application forms.
- 1 participant file did not have a verification of the applicant's income.
- 1 participant file did not have a complete and signed citizenship declaration form.
- 1 participant file showed that the participant was ineligible for CHIP benefits based on age. IMA had enrolled the participant for almost two years past the participant's 19th birthday.

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

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – IMA customer service representatives (CSR) are not properly processing the CHIP applications and performing the required verifications.

Recommendation – We recommend that the Department of Human Services' IMA improve internal control procedures to ensure that CHIP verifications are performed to adequately document the eligibility process. In addition, IMA should ensure that supporting documentation is maintained and that files are properly secured.

Views of Responsible Officials and Planned Corrective Actions – DHS/IMA agrees with the stated recommendation and has already taken steps to bring its internal procedures in line with the recommendation.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

IMA Social Services Representatives (SSRs) receive intermittent Medicaid refresher trainings to include verifications (financial and non-financial) necessary to make an eligibility determination; application completeness; interviewing skills, etc. Financial eligibility factors include income (earned or unearned), assets, and resources. Non-financial eligibility factors include residence, citizenship, identification, etc. Also, as of February 2010, IMA reinitiated the contract with the Work Number which allows staff to inquire about a customer's work history and obtain verification (if the employer is listed with the Work Number). In addition, IMA management staff will randomly review cases to determine if appropriate actions were taken. The findings will be discussed with staff and Service Center level sessions will be conducted to ensure that all staff are aware of the correct steps to take to ensure adequate processing.

In addition, DHS/IMA has created and begun operating a Case Record Management Unit (CRMU) in each Service Center to improve the maintenance and safeguarding of documents. The CRMU is staffed with management team members and support staff members responsible for ensuring that case documents are included in the case record; that the case record and all supporting documentation is accessible for reviews, etc.

Finally, IMA will soon be utilizing a document imaging system that is expected to further enhance IMA's ability to maintain and safeguard documents. Currently, the Automated Client Eligibility Determination System (ACEDS) holds IMA's electronic files and much of the processing of cases can be seen and tracked in ACEDS. As the agency moves closer toward a paperless system, the reliance upon hard copy records for holding documents will diminish, with electronic filing and maintenance of documents being primarily supported through the functionality of ACEDS and the new Document Imaging Management System (DIMS).

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Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health Care Finance (DHCF)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-12	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA - Medical Assistance Program CFDA Number : 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Eligibility	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 Subpart C Section .300 (b) states, "The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Condition – The District's Department of Human Services' Income Maintenance Administration (IMA) is responsible for determining eligibility of participants in the Medical Assistance Program (MA). IMA uses the Automated Client Determination System (ACEDS) to evaluate the eligibility of an applicant. We noted the following during our review of 132 participant files which had been selected for testing:

- 2 participant files did not have signed application forms.
- 4 participant files did not have verification of the applicant's income.
- 4 participant files did not have complete and signed citizenship declaration forms.
- 4 participant files did not show that the social security number was furnished or was verified.
- 3 participant files did not have proof of the participant being a qualified alien.
- 1 participant file did not have proof that the recertification was done within the required twelve months.

Without IMA maintaining the proper documentation in the case files, we were unable to verify whether certain participants were properly enrolled in the MA program.

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

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – IMA does not appear to have adequate internal control procedures to ensure that documentation is maintained and participant files are secured. Participant files are maintained at several different locations instead of in a centralized location. This policy makes obtaining participant files a difficult task, and leads to the increased possibility of misplacing participant files.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Recommendation – We recommend that the Department of Human Services' IMA improve internal control procedures to ensure that documentation is maintained to support eligibility decisions and that files are properly secured.

Views of Responsible Officials and Planned Corrective Actions – While there is some disagreement regarding some of the findings in the participant a file, IMA agrees that additional processes are required to ensure the source eligibility documentation is contained in the records and available for the auditors for inspection. These changes would eliminate or reduce findings where the documentation to support eligibility is absent from the records. With regard to documentation of a verified social security number or alien status, DHS has an electronic interface with the Social Security Administration and the Immigration and Naturalization Service which verifies the recipient's status. Therefore, users would be required to view the verification in ACEDS or request a print-out of the document.

For future audits, IMA will review and print the electronic information consistently requested during the audit process, in advance. To address the time it takes to provide the case records, as well as address lost or misplaced documentation, in December 2009, IMA management implemented a system of accountability to ensure the successful retention and maintenance of Medicaid eligibility information. This process includes a system of management and staff accountability, which includes assignment of daily tasks and monitoring completion. Secondly, the Document Imaging Management System (DIMS) Request for Proposal was issued by the Office of Contracting and Procurement on January 8, 2010. The contract will include system development as well as document conversion. Based on an assessment in January 2009, IMA had over 22 million documents stored in the IMA service centers. Digitization of the case records and scanning of all incoming documents will further support the case record maintenance improvements.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health Care Finance (DHCF)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-13	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA - Medical Assistance Program CFDA Number: 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Eligibility: Medicaid Eligibility Quality Control (MEQC)	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 requires that “States are required to operate a MEQC system in accordance with requirements established by CMS. The MEQC system reconfirms eligibility for individual sampled cases of beneficiary eligibility made by State Medicaid agencies, or their designees. Statistical sampling methods are used to select claims for review and project the number and dollar impact of incorrect payments to ineligible beneficiaries” (42 USC 1396b; 42 CFR sections 431.800 through 431.865).

Further, Title 42 CFR § 431.836 (a) states that “The agency must take action to correct those errors identified through the claims processing assessment system review and, if cost effective, to recover those funds erroneously spent”.

Condition – The Medicaid Eligibility Quality Control (MEQC) system is operated by the District’s Department of Human Service’s (DHS) Office of Program Review, Monitoring and Investigation (OPRMI). The function of the MEQC is to re-determine Medicaid eligibility for individuals receiving Medicaid benefits and to take action to correct any errors identified during the MEQC review process.

During FY 2009, OPRMI operated under two Medicaid pilot programs. The first was DHS’ phase twelve MEQC pilot for the population of recipients eligible for Medicaid under the District’s Supplemental Security Income related (SR) program with income at or below the 100% poverty level. The SR population consists of aged and disabled recipients. The goal of the pilot was to determine if Medicaid eligibility was calculated accurately for individuals and determine if the existing group health insurance plans had provided payment prior to Medicaid reimbursements. DHS staff was also required to review denied/terminated cases to determine if the Income Maintenance Administration (IMA) denied or terminated cases correctly.

The second pilot program was DHS’ phase thirteen MEQC review to determine if Medicaid eligibility was calculated accurately for individuals under the District’s SR program and Aid to Families with Dependent Children and Temporary Assistance for Needy Families related (AR) programs. In addition, DHS confirmed if denied or terminated cases were processed correctly and the client/applicant was appropriately denied participation. Centers for Medicare and Medicaid Services (CMS) approved the pilot program on December 5, 2008.

To determine whether the District was in compliance with the requirement to operate a MEQC program, we randomly selected 25 active case files from the phase twelve and thirteen pilot programs and 20 negative case files from the phase twelve and thirteen pilot programs.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

During our review, we noted that for 1 of the 25 active cases, the MEQC branch completed a quality control review on a Medicaid recipient who failed to disclose that he/she had insurance coverage from another insurance carrier. The MEQC branch confirmed that the participant had insurance coverage from February 2007 to present. In addition, the MEQC branch reviewed the household's eligibility profile in Medicaid Management Information System (MMIS) and the insurance information was not listed. Upon completion of the review, DHS notified DHCF's Third Party Liability (TLP) Insurance Office that the participant had insurance coverage. However, we noted that DHCF had not entered the insurance information into the MMIS system until April 7, 2010. The Insurance Office was unable to determine whether the overpayments for Medicaid claims submitted for this participant from February 2007 to the present had been recouped.

DHCF also has a contractor, Health Management Systems (HMS), which is responsible for searching insurance companies and identifying any Medicaid participants that may have insurance with another company. HMS submits a monthly report to DHCF that identifies Medicaid participants who have insurance coverage with another company so DHCF can update the participant's records in the MMIS system. In this particular case, the contractor was unable to identify the additional insurance coverage.

Having accurate participant insurance information in the MMIS system is important when processing Medicaid claims. The claim amount would first be submitted to the primary insurance company with Medicaid as the secondary insurance. In this particular case, Medicaid paid the entire claim resulting in overpayments to the Medicaid program.

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

Effect – DHCF incurred unnecessary Medicaid payments by not updating the MMIS system with the participant's insurance in a timely manner.

Cause – DHCF's internal policies and procedures were not functioning as intended.

Recommendation – We recommend that DHCF improve internal control procedures to update participant's case records when critical information is communicated to the agency. In addition, we recommend that DHCF notify DHS' Office of Program Review, Monitoring and Investigation when recommended changes have been made.

DHCF should also determine the amount of excess Medicaid funds paid to providers during the time the participant had insurance and refund the Federal Government the Federal Financial Participation (FFP) portion.

Views of Responsible Officials and Planned Corrective Actions – DHCF does have an internal policy and procedures for updating health insurance information in MMIS as soon as critical information is communicated to the agency. However, in this particular instance it is unclear when that information was actually communicated to the agency. The MEQC Branch did not send any form of notification to the Third Party Liability Office until December 9, 2009. Furthermore, the notification was addressed to an employee who had retired in September 2008, and was therefore not received by anyone in the Third Party Liability Office. Upon notification of this particular eligibility concern in April 2010, the Third Party Liability Office promptly entered the correct information into MMIS.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

In order to prevent this miscommunication from happening in the future, DHCF is committed to reaching out to MEQC in order to ensure that the eligibility reviews are communicated in a timely manner to the proper person and result in the appropriate action in MMIS.

As noted, DHCF contracts with Health Management Systems to identify Medicaid recipients with additional forms of health insurance, as a means to detect as many of these instances as possible. DHCF is in the process of exploring additional means through which this contractor may be able to support third party liability efforts in order to ensure that recipients' health insurance information is as complete and accurate as possible.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-14	U.S. Department of Housing and Urban Development Housing Opportunities for Persons with AIDS CFDA Number: 14.241 Grant Award Number: DCH08-F001 Grant Award Period: 10/1/08-9/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Housing Opportunities for Persons with AIDS (HOPWA) program for the drawdown of funds:

- Program payments require the use of the modified average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 2 out of the 11 drawdowns made during FY 2009 totaling \$3,413,705 and noted that the 2 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8HA100 and DA9HA128 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. However, the District is compliant with the reporting requirements of the U.S. Department of Housing and Urban Development (HUD), as they pertain to the use of the Integrated Disbursement Information System (IDIS) and draw down of funds for the HOPWA program.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the CMIA agreement with regard to requesting timely reimbursement. This grant has unique draw requirements outside of the typical CMIA arrangement and the District is in compliance with the cash management reporting requirements of the U.S. Department of Housing and Urban Development (HUD).

Unlike other federal grants, where DOH Office of the Chief Financial Officer (OCFO) staff initiates a draw as expenditures are incurred, this grant is handled differently. In order to obtain reimbursement, the program management third-party contractor must create a voucher in HUD's Integrated Disbursement and Information System (IDIS) by inputting sub-recipient data. The IDIS system has to be populated with the detail of expenditures incurred, by activity, which is reviewed and approved by HUD before any draw-down is approved. Program management then submits a request to DOH OCFO to approve request for funds entered in IDIS. Therefore, the typical CMIA comparison of cash outflows (e.g. SOAR voucher payment dates) vs. cash inflows (e.g. draw receipt dates) is inappropriate for this grant.

The time period between the approval of the IDIS data by HUD to the time drawdowns are initiated and received range from one to three days which is within the CMIA clearance pattern of 7 days.

DOH will submit a revision to the CMIA to outline the unique draw requirements of this grant.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-15	U.S. Department of Health and Human Services Public Health Emergency Preparedness CFDA Number: 93.069 Grant Award Number: 5U90TP316831-09 Grant Award Period: 8/10/08-8/09/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Public Health Emergency Preparedness program for the drawdown of funds:

- Program payments require the use of the modified average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed the single drawdown made during FY 2009 totaling \$1,337,583 and noted that the drawdown was not made in accordance with the provisions of the CMIA agreement.

The reimbursement request for Revenue Collection Receipt (RCR) No. DA9MCH69 was made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. We noted an example where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the CMIA agreement in regards to requesting timely reimbursement. This grant has unique draw requirements outside of CMIA.

In January 2005, the Center for Disease Control and Prevention (CDC) placed DOH on manual drawdown to receive grant funds through the Public Health Emergency Preparedness (PHEP) Cooperative Agreement. This process entails compiling an invoice (SF-270) by focus areas with a detail of all personnel services and non-personnel services expenditures. If budget lines for any focus area are overspent, a request is made to CDC to increase the budget to allow DOH to bill for those expenditures. When the SF-270 is complete, program staff review and give their approval for submission. The SF-270 is then mailed to CDC for its review and subsequent payment. This is a lengthy process and results in draws/reimbursements taking longer than prescribed in the CMIA agreement. Program officials are collaborating with CDC to determine when this restriction can be lifted.

Management is also in the process of amending the CMIA agreement to include language that reflects that this grant operates on a manual drawdown pattern and therefore, cannot be held to the rigid requirements of the pre-established CMIA agreement.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-16	U.S. Department of Health and Human Services HIV Emergency Relief Project Grants CFDA Number: 93.914 Grant Award Number: 6H89HA00012-18, 6H89HA00012-19 Grant Award Period: 3/1/08-2/28/09, 3/1/09-2/28/10	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the HIV Emergency Relief Project for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 4 out of the 60 drawdowns made during FY 2009 totaling \$2,527,118 and noted that 2 of the 4 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA9HAA12 and DA9HAA41 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the CMIA agreement with regard to requesting timely reimbursement.

Accounting staff perform weekly drawdowns based on EIS/CFO\$olve Grant Drawdown report of expenditures from the District's accounting system of record (SOAR). The cash drawdown request is made on Thursday to ensure funds are deposited to the District's account on Friday. The weekly drawdown occurs once in a five-day work-week period which is within the CMIA average clearance pattern of 7 days for benefit payments (non-personnel services).

The average number of days for the drawdown of benefit payments (non-personnel services) for RCR No. DA9HAA12 was 8 days, not in accordance with the CMIA clearance pattern of 7 days. However, the average number of days for the drawdown of benefit payments for RCR No. DA9HAA41, was 3 days, or an average of 5.5 days for the two drawdowns. Cash was drawdown every Thursday for all of FY 2009 with the exception of December 5th, 2009 and December 26th, 2009. This oversight was caused by the demands of the CAFR audit and the Christmas vacation. Additionally, payroll was inconsistently recorded in SOAR, outside of the control of the agency. Due to this inconsistency, accounting staff currently review the "485 Report" (Payroll Register) to determine amounts to draw for personnel service charges. Staff is also cross-trained to ensure that draws continue during times of absence.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-17	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number: 93.917 Grant Award Number: 6 X07HA00045-18, 2 X07HA00045-19 Grant Award Period: 4/1/08-3/31/09, 4/1/09-3/31/10	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the HIV Care Formula Grants for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 4 out of the 50 drawdowns made during FY 2009 totaling \$3,585,036 and noted that 2 of the 4 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA9HAA12 and DA9HAA97 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the CMIA agreement with regard to requesting timely reimbursement.

Accounting staff perform weekly drawdowns based on EIS/CFO\$olve Grant Drawdown report of expenditures from the District's accounting system of record (SOAR). The cash drawdown request is made on Thursday to ensure funds are deposited to the District's account on Friday. The weekly drawdown occurs once in a five-day work-week period which is within the CMIA average clearance pattern of 7 days for benefit payments (non-personnel services).

The average number of days for the drawdown of benefit payments (non-personnel services) for RCR No. DA9HAA12 was 5 days, while it was 6 days for RCR No. DA9HA105, both within the 7 day CMIA clearance pattern. Personnel expenditures for both draws were greater than the 0 day CMIA clearance pattern due to inconsistencies in the recording of payroll in SOAR, which was outside the control of the agency. These inconsistencies led to the cash management findings for this grant. Due to this inconsistency, accounting staff currently review the "485 Report" (Payroll Register) to determine amounts to draw for personnel service charges. Staff is also cross-trained to ensure that draws continue during times of absence.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-18	U.S. Department of Health and Human Services HIV Prevention Activities CFDA Number: 93.940 Grant Award Number: 3U62PS323517-05S1, 5U62PS000778-02 Grant Award Period: 9/30/08-9/29/09, 1/1/08-12/31/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the HIV Prevention Activities program for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 4 out of the 40 drawdowns made during FY 2009 totaling \$940,715 and noted that 2 of the 4 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA9HAA52 and DA9HAA14 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with CMIA agreement with regard to requesting timely reimbursement.

Accounting staff perform weekly drawdowns based on EIS/CFO\$olve Grant Drawdown report of expenditures from the District's accounting system of record (SOAR). The cash drawdown request is made on Thursday to ensure funds are deposited to the District's account on Friday. The weekly drawdown occurs once in a five-day work-week period which is within the CMIA average clearance pattern of 7 days for benefit payments (non-personnel services).

The average number of days for the drawdown of benefit payments (non-personnel services) for RCR Nos. DA9HAA52 and DA9HAA14 averaged 9 days which was outside the 7 day CMIA benefit payment clearance pattern. Cash was drawndown every Thursday with the exception of December 5th, 2009 and December 26th, 2009. This oversight, which was caused by the demands of the CAFR audit and the Christmas vacation, resulted in the average for the drawdowns being 9 days. Additionally, payroll was inconsistently recorded in SOAR, outside of the control of the agency. Due to this inconsistency, accounting staff currently review the "485 Report" (Payroll Register) to determine amounts to draw for personnel service charges. Staff is also cross-trained to ensure that draws continue during times of absence.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-19	U.S. Department of Health and Human Services Healthy Start Initiative CFDA Number: 93.926 Grant Award Number: 6 H49MC00117-08-01, 6 H49MC00117-09-00 Grant Award Period: 6/1/08-5/31/09, 6/1/09-5/31/10	Eligibility	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

It is also noted that individuals and families who are interested in the Healthy Start Initiative program can self-refer for the program or they can be referred from a hospital, other social welfare program, or a friend. To enter the program, (a) a participant needs to be a D.C. resident, (b) pregnant or postpartum with an infant under three (3) months of age, and (c) be a resident in a ward of the District covered by the grant. A referral must be submitted to the program and must include all required information including the signed consent form in order to be considered for participation in the program.

Condition – DOH-Community Health Administration (CHA) is responsible for determining participant eligibility for the Healthy Start Initiative program. Each participant is required to sign the consent form to authorize CHA to perform the necessary eligibility determination and to conduct follow-up visits to the participants.

During our review of 45 participant files selected for testing, we noted 2 participant files did not have the signed consent forms.

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

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – During the year, CHA converted all its application documents to electronic files. During the conversion, some documents were misplaced.

Recommendation – We recommend that CHA improve internal control procedures to ensure that documentation is maintained to support eligibility decisions and that files are properly maintained and secured.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions – CHA's Healthy Start Initiative program utilizes operational policies and procedures (P&Ps) to provide services to eligible participants. It is the program's goal that a copy of these P&Ps is distributed to all applicable staff and staff members adhere to them. To prevent further issues surrounding this finding, the program will:

1. Review and revise (as needed) the P&Ps that discuss program consent requirements. Any revisions will be distributed to all applicable staff.
2. Re-educate all applicable staff about the need for a signed consent form.
3. Review and revise (as needed) the medical records P&Ps for auditing medical record charts for documentation.
4. Conduct a random medical record chart audit that checks for the presence of all required documentation on a quarterly basis.

CHA has already corrected the files mentioned in the finding. The files were updated with duplicate consent forms to bring the files into compliance with the requirement.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
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2009-20

This finding # was not used.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-21	U.S. Department of Health and Human Services Public Health Emergency Preparedness CFDA Number: 93.069 Grant Award Number: 5U90TP316831-09 Grant Award Period: 8/10/08-8/09/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – DOH and the Office of Contracting and Procurement (OCP) were unable to provide proper documentation to support that 1 out of the 7 procurement files sampled was in accordance with OCP's policies and procedures with regards to (1) supporting the significant history of the procurement; (2) supporting the vendor selection process; and (3) ascertaining whether a cost or price analysis was performed. There was also no support to show that DOH or OCP had validated that the vendor was not suspended or debarred from providing services where federal funds were utilized. We also noted that this procurement was incorrectly coded into the system.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 7 procurement files totaling \$650,166.

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

Cause – DOH relies on OCP to ensure procurement requirements are met, as well as for the maintenance of appropriate supporting documentation. As such, DOH did not adhere to the required policies and procedures to ensure that it complied with the appropriate documentation requirements under OMB Circulars A-133 and A-102 for procurement, suspension, and debarment.

Recommendation – We recommend that DOH and OCP improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that OCP review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions – While DOH and OCP agree in principle with the overall non-compliance related to properly maintaining supporting transaction documentation, DOH and OCP do not agree with the statement which suggests that “DOH could possibly issue procurements without appropriate funding.”

Given that the Agencies’ procurements are initiated through and using the Procurement Automated Support System (PASS), its integrated workflow requires that these procurement requests secure funding approvals prior to being forwarded to the appropriate Contracting Officer for action, review, and approval. Therefore, DOH’s procurements could not be awarded without funding approval.

During the fourth quarter of FY 2009, OCP took action, for its small procurement transactions (less than \$100,000), to begin retaining documentation electronically in PASS. Additionally, to ensure that OCP’s large procurement transactions (greater than or equal to \$100,000) are properly documented and supporting evidence retained, in December 2009, OCP awarded the contract for the implementation of the ARIBA Contract Compliance (ACC) module, which will serve as a centralized repository of all District contract information.

As of January 2010, OCP, the Office of the Chief Technology Officer (OCTO), and the vendor initiated the implementation kick-off. Throughout FY 2010 and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) defining the user requirements; (2) customizing & developing the system; (3) conducting user testing; and (4) implementation (which includes both a communication and training plan for users). Equally critical to the successful implementation of the ACC module and full remediation of this finding will be the migration of the current and active contracts from OCP and the independent agencies into PASS.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-22	U.S. Department of Education Vocational Rehabilitation Cluster and ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States CFDA Number: 84.126, 84.390 Grant Award Number: H126A080011A Grant Award Period: 10/1/08-9/30/10	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Vocational Rehabilitation program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 8 out of the 24 drawdowns made during FY 2009 totaling \$2,445,107 and noted that 6 of the 8 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT9DJ005, DT9CS306, DT9DJ038, DT9CS327, DT9DJ081, and DT9DJ089 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DDS' compliance with the provisions of the CMIA agreement.

Effect – DDS is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DDS did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Recommendation – We recommend that DDS comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – DDS draws cash for payroll in accordance with the 0 days clearance pattern and nonpayroll within the 7 day clearance pattern on a weekly basis. The drawdown amounts are based on actual cash expenditures recorded in SOAR, the District's accounting system of record. Consideration should be given to amend the CMIA agreement since cash expenditures are readily available in SOAR.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-23	Social Security Administration Social Security - Disability Insurance CFDA Number: 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/08-9/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the Social Security - Disability Insurance program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Administrative costs require the use of the fixed administrative allowance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 8 out of the 27 drawdowns made during FY 2009 totaling \$6,676,617 and noted that 6 of the 8 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT9DJ007, DT9CS316, DT9CS321, DT9DJ073, DT9CS332, and DT9DJ046 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DDS' compliance with the provisions of the CMIA agreement.

Effect – DDS is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DDS did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DDS comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions – DDS draws cash for payroll in accordance with the 0 days clearance pattern and nonpayroll within the 7 day clearance pattern on a weekly basis. The drawdown amounts are based on actual cash expenditures recorded in SOAR, the District's accounting system of record. Consideration should be given to amend the CMIA agreement since cash expenditures are readily available in SOAR.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-24	U.S. Department of Education Vocational Rehabilitation Cluster and ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States CFDA Number: 84.126, 84.390 Grant Award Number: H126A080011A Grant Award Period: 10/1/08-9/30/10	Eligibility	Not Determinable

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

- 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 (Section 102(a) (1) of the Act (29 USC 722(a) (1))).
- An individual who is a beneficiary of Social Security Disability Insurance or a recipient of Supplemental Security Income is presumed to be eligible for VR services (provided that the individual intends to achieve an employment outcome consistent with the unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual) unless the State VR Agency can demonstrate by clear and convincing evidence that such individual is incapable of benefiting in terms of an employment outcome from VR services due to the severity of the disability of the individual (Section 102(a)(3) of the Act (29 USC 722(a)(3))).
- The State 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 (Section 102(a)(6) of the Act (29 USC 722(a)(6))).
 - 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; or
 - The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences 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.
- The Rehabilitation Services Administration Program Instruction states: Rehabilitation services will be provided in accordance with the Individualized Plan for Employment (IPE) or Individualized Living Plan (ILP). The IPE or ILP will be a written document prepared on forms provided by District of Columbia Rehabilitation Services Administration (DCRSA) and must be designed and implemented to achieve a specific employment or independent living outcome that has been selected by the client consistent with the client's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and exercise of informed choice in selecting:

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

- The employment or independent living outcome;
 - The specific vocational rehabilitation or independent living;
 - Services needed to achieve the outcome;
 - The entity or entities that will provide the services;
- The Counselor shall facilitate the implementation of an IPE within 90 days or an ILP within 120 days of the client's eligibility determination or within 90 days of a determination that the client should participate in extended evaluation and review the IPE or ILP at least annually with the client or, as appropriate, with the client's representative, to assess the client's progress in achieving the identified employment or independent living outcome.

Condition – We noted the following:

1. In 77 cases tested, eligibility was not evident in 4 cases as DDS was unable to provide supporting documentation. It was also noted that in 1 of these 4 cases, the case file only contained diary entries about the client, which were copies generated from the system. DDS could not locate the original file, which contained all the original documentation.
2. Within the 77 cases tested, where eligibility was evident, we noted that:
 - In 30 cases, eligibility was determined after the 60-day window.
 - In 24 cases, the IPE was not prepared within the specified 90 days.
 - In 14 cases, the vocational appraisal was not in the file.
 - In 9 cases, the IPE was not signed by either the applicant or the Counselor.
 - In 6 cases, the copy of SSI/SSDI certified letter or copy of a pay stub for clients presumed eligible based upon receiving SSI/SSDI was not in the file.
 - In 2 cases, the IPE was not in the file.
 - In 1 case, the client's rights and responsibilities were not properly signed.
 - In 1 case, the client's rights and responsibilities were not in the file.
 - In 1 case, the assessment of the client's mental /physical status was not in the file.
 - In 1 case, the certification of eligibility was not in the file.
 - In 1 case, the certification of eligibility was not signed by the Counselor.
 - In 1 case, the date in the IPE was 700 days earlier than the date the certification of eligibility was signed.

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

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

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

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Recommendation – DCRSA should evaluate the reporting process that flags client applications that are approaching the threshold dates, so that accurate determinations can be made, and the IPE can be constructed in a timely manner. In addition, a properly completed checklist together with the required documentation should be included in each file to ensure that all requirements have been met before service is provided. In all instances, there should be proper documentation kept to validate the status of all eligible recipients.

Views of Responsible Officials and Planned Corrective Actions – DCRSA concurs with the findings. DCRSA conducted an extensive evaluation of its current Case Management System. The results of the review clearly indicated the need for a new system. DCRSA was able to purchase and implement a new Case Management System; after training of staff, the system went live in May 2010.

The new Case Management System will provide a more viable monitoring tool which produces an alert list of cases that are flagged to notify the counselor as to how many days they have to determine eligibility, ineligibility, or complete the waiver of the 60 day process with the client. The new system's monitoring tool also alerts counselors on each case that is approaching the designated 90 day time line in the development of the IPE.

DCRSA's new Policy and Procedure Manual is currently under review by the State Rehabilitation Council. The agency will expedite the promulgation of the manual to allow direct service staff more in-depth training on policies, procedures, and technical aspects of case management related to key issues addressed in the findings including application, eligibility/active, and closure.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-25	U.S. Department of Education Vocational Rehabilitation Cluster and ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States CFDA Number: 84.126, 84.390 Grant Award Number: H126A090011A Grant Award Period: 10/1/08-9/30/10	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – We noted the following:

- DDS was unable to provide procurement files that documented the methodology and cost analysis used to award contracts to a vendor with a purchase order amount of \$36,336.
- There was no evidence of DDS verifying whether 15 vendors sampled has been debarred or suspended from providing services where federal funds were utilized.

Context – This is a condition identified per review of DDS' compliance with specified requirements. We reviewed 23 procurement files totaling \$914,901.

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

Cause – DDS does not have adequate procurement processes and controls in place to ensure compliance with the federal procurement regulations.

Recommendation – We recommend that DDS improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that DDS review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions – DDS did not conduct a price analysis on the vendor with a purchase order amounting \$36,336 because the price was negotiated in the base year of the contract by the District's central procurement office, Office of Contracting and Procurement (OCP), prior to DDS becoming an independent agency in 2007. The vendor that was awarded the procurement was, however, selected from the District of Columbia Supply Schedule, where all vendors are verified not to be excluded from federal procurements. DDS confirmed that none of the sources awarded with contracts or purchase orders were debarred, suspended, or ineligible. Although the on-line file did not include physical evidence that the excluded parties list at <https://www.epls.gov/eplsearch> was checked for the small purchases (less than \$100,000), EPLS verification was actually conducted at the time of the award on a majority of the procurements. DDS, on advisement from the reviewers, has agreed that documentation to the file will include a "print screen" pasted to a word document of the actual EPLS findings, even for simplified acquisitions (small purchases), which require minimum documentation, consistent with regulatory guidance at Federal Acquisition Regulation (FAR) Part 13, section 13.106-3 and FAR 9.105-2(a).

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-26	Social Security Administration Social Security - Disability Insurance CFDA Number: 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/08-9/30/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – We noted that there was no evidence of DDS verifying whether the 16 vendors sampled had been debarred or suspended from providing services where federal funds were utilized.

Context – This is a condition identified per review of DDS' compliance with specified requirements. We reviewed 22 procurement files totaling \$964,882.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DDS could have inadvertently contracted with a vendor that is suspended or debarred from doing business with the Federal government.

Cause – DDS does not have adequate procurement processes and controls in place to ensure compliance with the federal procurement regulations.

Recommendation – We recommend that DDS improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that DDS review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – DDS confirmed that none of the sources awarded with contracts or purchase orders were debarred, suspended, or ineligible. Although the on-line file did not include physical evidence that the excluded parties list at <https://www.epls.gov/eplis/search> was checked for the small purchases (less than \$100,000), EPLS verification was actually conducted at the time of the award on a majority of the procurements. DDS, on advisement from the reviewers, has agreed that documentation to the file will include a "print screen" pasted to a word document of the actual EPLS findings, even for simplified acquisitions (small purchases), which require minimum documentation, consistent with regulatory guidance at Federal Acquisition Regulation (FAR) Part 13, section 13.106-3 and FAR 9.105-2(a).

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Schedule of Findings and Questioned Costs Year Ended September 30, 2009

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2009-27	Social Security Administration Social Security - Disability Insurance CFDA Number: 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/08-9/30/09	Reporting	Not Determinable

Criteria or Specific Requirement – The form SSA-4514, Time Report of Personnel Services (OMB No. 0960-0421), is a quarterly report used to identify the number of hours worked by staffing category and employment status (i.e., full-time, part-time, temporary). This report should reflect all hours worked by personnel engaged in the program during the reporting period.

Condition – We reviewed form SSA-4514 for the quarter ended March 31, 2009 and noted that total employee overtime hours reported were 17 hours lower than the supporting documentation.

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

Effect – DDS was not in compliance with the reporting requirements of the grant program.

Cause – It appears that accounting and review procedures over information recording were not functioning as intended.

Recommendation – We recommend that DDS enhance the review and approval process to ensure that the reports submitted to the Federal agency reflect accurate information.

Views of Responsible Officials and Planned Corrective Actions – DDS concurs with the finding that the overtime hours included on SSA-4514 report were understated by 17 hours.

The form SSA-4514 is a quarterly programmatic report submitted to the Social Security Administration and is used to determine the number of FTE(s) based on the number of the regular and overtime hours worked for that quarter. This report does not impact the expenditures reported to Social Security Administration for the Disability Insurance Grant. The form SSA-4513 quarterly financial status report which reports the expenditures reflected the correct amount of overtime hours and the related expenditures. If the 17 hours were included in the SSA-4514 report, the FTE(s) would have been 33.79 as opposed to 33.82.

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