

# **Government of the District of Columbia**

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## **Schedule of Expenditures of Federal Awards and Reports Required by Government Auditing Standards and OMB Circular A-133 Year Ended September 30, 2008**



**BDO Seidman, LLP**  
Accountants and Consultants



**Government of the  
District of Columbia**

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**Schedule of Expenditures of Federal  
Awards and Reports Required by  
Government Auditing Standards and  
OMB Circular A-133  
Year Ended September 30, 2008**

# 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, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 30, 2009. 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 2008-01 through 2008-06.

- |   |   |
|---|---|
| I. Treasury Functions.                  | V. District of Columbia Public Schools.                               |
| II. Management of the Medicaid Program. | VI. Management of the Postretirement Health and Life Insurance Trust. |
| III. Compensation.                      |   |
| IV. 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, of the significant deficiencies described above, we consider items 2008-01 and 2008-02 to be material weaknesses.

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 2008-07 through 2008-10.

- I. Noncompliance with Procurement Regulations.
- II. Noncompliance with the Quick Payment Act.
- III. Noncompliance with the Financial Institutions Deposit and Investment Amendment Act.
- IV. 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 30, 2009. 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 2007	Current Year Status
Office of Tax and Revenue	Material Weakness	Significant Deficiency
Management of the Medicaid Program	Material Weakness	Material Weakness
District of Columbia Public Schools	Material Weakness	Significant Deficiency
Investment Reconciliations and Activities	Significant Deficiency	Material Weakness; included as part Treasury Functions.
National Capital Revitalization Corporation (NCRC) and the Anacostia Waterfront Corporation (AWC)	Significant Deficiency	NCRC and AWC have been dissolved as of October 1, 2007. All activities have been transferred to the District.
Management of Grants	Significant Deficiency	Control Deficiency



Nature of Comment	Type of Comment in Fiscal Year 2007	Current Year Status
Compensation	Significant Deficiency	Significant Deficiency
Management of the Disability Compensation Program	Significant Deficiency	Control Deficiency
Management of the Unemployment Compensation Program	Significant Deficiency	Control Deficiency
Noncompliance with Procurement Regulations	Material Noncompliance	Material Noncompliance
Noncompliance with the Quick Payment Act	Material Noncompliance	Material Noncompliance
Noncompliance with the Financial Institutions Deposit and Investment Amendment Act	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 30, 2009



## 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, 2008. 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
2008-11	93.775, 93.777, 93.778	Allowable Costs
2008-12	93.775, 93.777, 93.778	Allowable Costs
2008-13	14.241	Cash Management



Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2008-14	93.767	Cash Management
2008-15	93.775, 93.777, 93.778	Cash Management
2008-16	93.914	Cash Management
2008-17	93.917	Cash Management
2008-18	93.940	Cash Management
2008-19	93.959	Cash Management
2008-20	93.767	Eligibility
2008-21	93.775, 93.777, 93.778	Eligibility
2008-23	93.775, 93.777, 93.778	Procurement, Suspension, and Debarment
2008-24	93.914	Procurement, Suspension, and Debarment
2008-25	93.917	Procurement, Suspension, and Debarment
2008-26	93.940	Procurement, Suspension, and Debarment
2008-27	93.959	Procurement, Suspension, and Debarment
2008-28	93.917	Subrecipient Monitoring
2008-29	14.241	Special Tests and Provisions: Housing Quality Standards
2008-30	93.775, 93.777, 93.778	Special Tests and Provisions: Utilization Control and Program Integrity
2008-31	96.001	Allowable Costs
2008-32	84.126	Cash Management
2008-33	96.001	Cash Management
2008-34	84.126	Eligibility
2008-35	84.126	Procurement, Suspension, and Debarment
2008-36	96.001	Procurement, Suspension, and Debarment
2008-37	93.563	Allowable Costs
2008-38	93.563	Cash Management
2008-39	93.563	Procurement, Suspension, and Debarment
2008-40	93.563	Special Tests and Provisions: Provision of Child Support Services for Interstate Initiating Cases
2008-41	93.563	Special Tests and Provisions: Provision of Child Support Services for Interstate Responding Cases
2008-42	93.563	Special Tests and Provisions: Enforcement of Support Obligations
2008-43	93.600	Allowable Costs
2008-44	93.600	Allowable Costs
2008-45	93.600	Cash Management
2008-46	93.600	Cash Management
2008-47	93.600	Eligibility
2008-51	93.600	Procurement, Suspension, and Debarment
2008-52	93.600	Reporting
2008-53	93.600	Reporting
2008-55	93.600	Subrecipient Monitoring
2008-56	93.658	Allowable Costs
2008-57	93.659	Allowable Costs





Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2008-58	93.658	Cash Management
2008-59	93.659	Cash Management
2008-60	93.658	Eligibility
2008-61	93.659	Eligibility
2008-62	93.658	Procurement, Suspension, and Debarment
2008-63	93.659	Procurement, Suspension, and Debarment
2008-65	93.658	Subrecipient Monitoring
2008-66	93.568	Equipment and Real Property Management
2008-67	66.460	Matching, Level of Effort, Earmarking
2008-68	66.460	Subrecipient Monitoring
2008-69	14.218	Allowable Costs
2008-70	14.239	Allowable Costs
2008-71	14.239	Matching, Level of Effort, Earmarking
2008-72	10.561	Allowable Costs
2008-74	93.558	Allowable Costs
2008-76	10.561	Cash Management
2008-77	93.558	Cash Management
2008-78	93.569	Cash Management
2008-79	93.667	Cash Management
2008-80	93.558	Eligibility
2008-81	93.558	Period of Availability
2008-82	93.558	Procurement, Suspension, and Debarment
2008-83	93.569	Procurement, Suspension, and Debarment
2008-84	93.558	Special Tests and Provisions: Child Support Non-Cooperation
2008-87	17.225	Cash Management
2008-89	20.205	Davis-Bacon Act
2008-91	97.067	Cash Management
2008-92	97.075	Cash Management
2008-93	97.075	Matching, Level of Effort, Earmarking
2008-95	97.075	Period of Availability
2008-96	97.067	Procurement, Suspension, and Debarment
2008-97	97.075	Procurement, Suspension, and Debarment
2008-100	97.067	Subrecipient Monitoring
2008-101	97.075	Subrecipient Monitoring
2008-103	84.010	Allowable Costs
2008-104	84.027, 84.173	Allowable Costs
2008-105	84.048	Allowable Costs
2008-107	93.596	Allowable Costs
2008-108	84.010	Cash Management
2008-109	84.027, 84.173	Cash Management
2008-110	84.367	Cash Management
2008-111	84.372	Cash Management
2008-112	93.596	Cash Management
2008-113	84.010	Eligibility
2008-114	93.596	Eligibility



Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2008-115	84.010	Matching, Level of Effort, Earmarking
2008-117	84.048	Matching, Level of Effort, Earmarking
2008-118	84.048	Matching, Level of Effort, Earmarking
2008-119	84.048	Matching, Level of Effort, Earmarking
2008-120	84.367	Matching, Level of Effort, Earmarking
2008-121	93.596	Period of Availability
2008-122	84.010	Procurement, Suspension, and Debarment
2008-123	93.596	Procurement, Suspension, and Debarment
2008-124	84.010	Reporting
2008-131	84.010	Subrecipient Monitoring
2008-132	84.027, 84.173	Subrecipient Monitoring
2008-133	84.048	Subrecipient Monitoring
2008-134	84.367	Subrecipient Monitoring
2008-135	93.596	Subrecipient Monitoring
2008-136	84.010	Allowable Costs
2008-137	84.010	Allowable Costs
2008-138	84.027, 84.173	Allowable Costs
2008-140	84.048	Allowable Costs
2008-141	84.367	Allowable Costs
2008-142	84.010	Matching, Level of Effort, Earmarking
2008-143	84.027, 84.173	Matching, Level of Effort, Earmarking
2008-144	84.048	Matching, Level of Effort, Earmarking
2008-145	84.367	Matching, Level of Effort, Earmarking
2008-146	84.010	Procurement, Suspension, and Debarment
2008-147	84.010	Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals

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, 2008, other than those discussed in the following paragraph.

The results of our auditing procedures also disclosed other instances of noncompliance with 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
2008-22	93.917	Eligibility
2008-85	93.558	Special Tests and Provisions: Income Eligibility and Verification System



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 2008-11 through 2008-147 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
2008-13	14.241	Cash Management
2008-14	93.767	Cash Management
2008-15	93.775, 93.777, 93.778	Cash Management
2008-16	93.914	Cash Management
2008-17	93.917	Cash Management
2008-18	93.940	Cash Management
2008-19	93.959	Cash Management
2008-20	93.767	Eligibility
2008-21	93.775, 93.777, 93.778	Eligibility
2008-23	93.775, 93.777, 93.778	Procurement, Suspension, and Debarment
2008-24	93.914	Procurement, Suspension, and Debarment
2008-25	93.917	Procurement, Suspension, and Debarment
2008-26	93.940	Procurement, Suspension, and Debarment



Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2008-27	93.959	Procurement, Suspension, and Debarment
2008-28	93.917	Subrecipient Monitoring
2008-30	93.775, 93.777, 93.778	Special Tests and Provisions: Utilization Control and Program Integrity
2008-32	84.126	Cash Management
2008-33	96.001	Cash Management
2008-34	84.126	Eligibility
2008-35	84.126	Procurement, Suspension, and Debarment
2008-36	96.001	Procurement, Suspension, and Debarment
2008-38	93.563	Cash Management
2008-39	93.563	Procurement, Suspension, and Debarment
2008-43	93.600	Allowable Costs
2008-44	93.600	Allowable Costs
2008-45	93.600	Cash Management
2008-46	93.600	Cash Management
2008-47	93.600	Eligibility
2008-51	93.600	Procurement, Suspension, and Debarment
2008-53	93.600	Reporting
2008-55	93.600	Subrecipient Monitoring
2008-56	93.658	Allowable Costs
2008-57	93.659	Allowable Costs
2008-58	93.658	Cash Management
2008-59	93.659	Cash Management
2008-60	93.658	Eligibility
2008-62	93.658	Procurement, Suspension, and Debarment
2008-63	93.659	Procurement, Suspension, and Debarment
2008-65	93.658	Subrecipient Monitoring
2008-68	66.460	Subrecipient Monitoring
2008-69	14.218	Allowable Costs
2008-70	14.239	Allowable Costs
2008-71	14.239	Matching, Level of Effort, Earmarking
2008-72	10.561	Allowable Costs
2008-74	93.558	Allowable Costs
2008-76	10.561	Cash Management
2008-77	93.558	Cash Management
2008-78	93.569	Cash Management
2008-79	93.667	Cash Management
2008-80	93.558	Eligibility
2008-81	93.558	Period of Availability
2008-82	93.558	Procurement, Suspension, and Debarment
2008-83	93.569	Procurement, Suspension, and Debarment
2008-84	93.558	Special Tests and Provisions: Child Support Non-Cooperation
2008-87	17.225	Cash Management
2008-91	97.067	Cash Management
2008-92	97.075	Cash Management
2008-95	97.075	Period of Availability



Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2008-96	97.067	Procurement, Suspension, and Debarment
2008-97	97.075	Procurement, Suspension, and Debarment
2008-100	97.067	Subrecipient Monitoring
2008-101	97.075	Subrecipient Monitoring
2008-103	84.010	Allowable Costs
2008-104	84.027, 84.173	Allowable Costs
2008-105	84.048	Allowable Costs
2008-107	93.596	Allowable Costs
2008-108	84.010	Cash Management
2008-109	84.027, 84.173	Cash Management
2008-110	84.367	Cash Management
2008-111	84.372	Cash Management
2008-112	93.596	Cash Management
2008-113	84.010	Eligibility
2008-115	84.010	Matching, Level of Effort, Earmarking
2008-117	84.048	Matching, Level of Effort, Earmarking
2008-118	84.048	Matching, Level of Effort, Earmarking
2008-119	84.048	Matching, Level of Effort, Earmarking
2008-120	84.367	Matching, Level of Effort, Earmarking
2008-121	93.596	Period of Availability
2008-122	84.010	Procurement, Suspension, and Debarment
2008-123	93.596	Procurement, Suspension, and Debarment
2008-124	84.010	Reporting
2008-131	84.010	Subrecipient Monitoring
2008-132	84.027, 84.173	Subrecipient Monitoring
2008-133	84.048	Subrecipient Monitoring
2008-134	84.367	Subrecipient Monitoring
2008-135	93.596	Subrecipient Monitoring
2008-136	84.010	Allowable Costs
2008-137	84.010	Allowable Costs
2008-138	84.027, 84.173	Allowable Costs
2008-140	84.048	Allowable Costs
2008-141	84.367	Allowable Costs
2008-142	84.010	Matching, Level of Effort, Earmarking
2008-143	84.027, 84.173	Matching, Level of Effort, Earmarking
2008-144	84.048	Matching, Level of Effort, Earmarking
2008-145	84.367	Matching, Level of Effort, Earmarking
2008-146	84.010	Procurement, Suspension, and Debarment
2008-147	84.010	Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals



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, 2008, and have issued our report thereon dated January 30, 2009. 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. Additionally, certain responses were not provided before the auditors' report was issued.

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.  
December 14, 2009



**Schedules of Expenditures  
of Federal Awards**



# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Health and Human Services</b>		
Elder Abuse Prevention	93.041	\$ 25,000
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	939,485
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1,736,526
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	3,002,425
Aging and Disability Resource Center	93.048	212,918
Vital Statistics Re-engineering Program	93.066	91,286
Public Health Emergency Preparedness	93.069	7,943,996
D.C. Fatherhood Initiative	93.086	1,315,193
Maternal and Child Health Federal Consolidated Programs	93.110	254,253
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	744,746
Primary Care Services-Resource Coordination and Development	93.130	122,736
Injury Prevention and Control Research and State and Community Based Programs	93.136	18,025
Projects for Assistance in Transition from Homelessness (PATH)	93.150	289,209
Childhood Lead Poisoning Prevention Projects_State and Local	93.197	548,442
Oral Health Expansion	93.236	157,907
Substance Abuse and Mental Health Services	93.243	1,614,332
Universal Newborn Hearing Screening	93.251	153,480
Immunization Grants	93.268	1,373,985
Substance Abuse and Mental Health Services - Access to Recovery	93.275	703,279
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	1,299,361
Minority Health and Health Disparities Research	93.307	775,888
Minority Biomedical Research Support	93.375	415,344
Cancer Centers Support	93.397	340,728
Promoting Safe and Stable Families	93.556	1,187,586
Temporary Assistance for Needy Families	93.558	85,648,774
Child Support Enforcement	93.563	16,719,785
Child Support Enforcement Research	93.564	125,000
Refugee and Entrant Assistance-State Administered Programs	93.566	825,435



# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Low-Income Home Energy Assistance Program	93.568	7,655,223
Community Services Block Grant	93.569	11,024,948
Refugee and Entrant Assistance-Discretionary Grants	93.576	57,268
Strong Families - D.C. Kids	93.592	125,044
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,125,175
Access and Visitation Program	93.597	100,000
State Educational Training Voucher Program	93.599	207,052
Head Start - Direct Funding	93.600	6,660,041
Head Start - Pass-through Funding from United Planning Organization	93.600	3,150,076
Election Assistance for Individuals with Disabilities	93.617	42,917
Developmental Disabilities Basic Support and Advocacy Grant	93.630	486,765
Children's Justice Act	93.643	75,081
Child Welfare Services-State Grants	93.645	324,541
Foster Care - Title IV-E	93.658	17,213,763
Adoption Assistance	93.659	18,964,703
Social Services Block Grant	93.667	7,253,545
Child Abuse and Neglect State Grants	93.669	86,381
Family Violence Prevention and Services State Grants	93.671	705,827
Chafee Foster Care Independent Living	93.674	1,092,478
State Children's Health Insurance Program	93.767	10,106,426
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	124,925
Demonstration to Maintain Independence and Employment	93.769	3,839,562
State Medicaid Fraud Control Units	93.775	1,682,581
State Survey and Certification of Health Care Providers and Suppliers	93.777	3,312,218
Medical Assistance Program	93.778	1,061,243,647
Health Care Financing Administration (Medicaid)	93.778	16,738,358
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	(61,646)
Money Follows the Person Rebalancing Demonstration	93.791	243,453

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Medicaid Transportation Grant	93.793	750
MBRS - Research	93.859	179,541
Bioterrorism and Hospital Preparedness	93.889	1,491,230
HIV Emergency Relief Project Grants	93.914	25,497,283
HIV Care Formula Grants	93.917	28,759,387
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	940,550
US DHHS SDA Speech Pathology (GRAD)	93.925	227,116
Healthy Start Initiative	93.926	3,903,680
Improvements of the Health and Well-Being of Youth	93.938	83,775
HIV Prevention Activities	93.940	8,094,399
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	2,158,674
Assistance Programs for Chronic Disease Prevention and Control	93.945	334,886
Demonstration Grants to States with Respect to Alzheimer's Disease	93.951	263,768
Block Grants for Community Mental Health Services	93.958	167,621
Block Grants for Prevention and Treatment of Substance Abuse	93.959	5,962,572
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	983,656
Cooperative Agreements for State-Based Diabetes Control Programs	93.988	253,441
Preventive Health and Health Services Block Grant	93.991	789,436
Maternal and Child Health Services Block Grant to the States	93.994	6,569,235
<b>Total U.S. Department of Health and Human Services</b>		<u><u>1,397,826,476</u></u>
<b>U.S. Department of Labor</b>		
Labor Force Statistics	17.002	642,504
Compensation and Working Conditions	17.005	61,185
Employment Service	17.207	2,802,642
Unemployment Insurance	17.225	163,365,934
Senior Community Service Employment Program	17.235	561,808
WIA Adult Program	17.258	2,692,573
WIA Youth Activities	17.259	2,655,990
WIA Dislocated Workers	17.260	5,415,854

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
WIA Navigator Project	17.266	275,302
Work Opportunity Tax Credit Program	17.271	64,108
Temporary Labor Certification for Foreign Workers	17.273	86,537
Consultation Agreements	17.504	448,000
Disabled Veterans' Outreach Program (DVOP)	17.801	220,592
Local Veterans' Employment Representative Program	17.804	298,141
<b>Total U.S. Department of Labor</b>		<u>179,591,170</u>
<b>U.S. Department of Transportation</b>		
Boating Safety	20.002	1,325,040
Highway Planning and Construction	20.205	158,829,149
National Motor Carrier Safety	20.218	267,926
Federal Transit – Metropolitan Planning Grants	20.505	394,657
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	602,279
State and Community Highway Safety	20.600	2,436,920
Occupant Protection	20.602	7,683
Pipeline Safety	20.700	120,400
<b>Total U.S. Department of Transportation</b>		<u>163,984,054</u>
<b>U.S. Department of Education</b>		
State Adult Education	84.002	717,959
Federal Supplemental Educational Opportunity Grants	84.007	789,832
Title I Grants to Local Educational Agencies	84.010	51,689,130
Special Education-Grants to States	84.027	15,312,629
Higher Education Institutional Aid	84.031	3,108,572
Job Locator Development	84.033	207,310
Impact Aid	84.041	1,939,706
TRIO-Student Support Services	84.042	476,188
TRIO-Talent Search	84.044	371,913
TRIO-Upward Bound	84.047	280,082
Career and Technical Education-Basic Grants to States	84.048	6,706,611
Federal Pell Grant Program	84.063	5,256,544

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
State Student Incentive Grant/Supplement	84.069	476,880
Minority Science Improvement	84.120	(389)
Vocational Rehabilitation Grants to States	84.126	11,121,742
Rehabilitation Services-Client Assistance Program	84.161	116,957
Independent Living-State Grants	84.169	236,356
Special Education-Preschool Grants	84.173	283,125
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	222,500
Special Education-Grants for Infants and Families with Disabilities	84.181	1,890,593
Byrd Honors Scholarships	84.185	58,500
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,826,720
Supported Employment Services for Individuals with Severe Disabilities	84.187	289,505
Education for Homeless Children and Youth	84.196	110,917
Even Start-State Educational Agencies	84.213	588,000
Assistive Technology	84.224	368,110
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	20,877
Title II Math Science Program	84.281	101,812
Charter Schools	84.282	2,777,613
Twenty-First Century Community Learning Centers	84.287	4,179,428
Title VII-Innovative Education Program	84.298	531,855
Education Technology State Grants	84.318	448,192
State Program Improvement - Special Education	84.323	459,598
Special Education - Personnel Preparation to Improve Services	84.325	136,369
Comprehensive School Reform Demonstration	84.332	115
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	462,120
Teacher Quality Enhancement Grants	84.336	111,637
Transition to Teaching	84.350	147,107
Arts in Education	84.351	102,957
Title I Reading First State Grants	84.357	1,685,830
Title III Language Acquisition State Grant	84.365	649,612
Math Science Partnership	84.366	1,023,465

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Improving Teacher Quality State Grants	84.367	8,787,514
Grants for State Assessments and Related Activities	84.369	2,713,597
Statewide Data Systems	84.372	2,170,701
<b>Total U.S. Department of Education</b>		<b>130,956,391</b>
<b>U.S. Department of Housing and Urban Development</b>		
Community Development Block Grants/Entitlement Grants	14.218	48,767,212
Emergency Shelter Grants Program	14.231	432,562
Shelter Plus Care	14.238	3,045,251
HOME Investment Partnerships Program	14.239	15,098,172
Housing Opportunities for Persons with AIDS	14.241	11,798,999
National Fair Housing Training Academy	14.401	237,505
Fair Housing Assistance Program	14.408	295,747
Lead-Based Paint Hazard Control	14.900	1,149,054
Lead-Based Paint Hazard Reduction Demonstration	14.905	1,481,561
<b>Total U.S. Department of Housing and Urban Development</b>		<b>82,306,063</b>
<b>U.S. Department of Agriculture</b>		
Pesticide Application Training	10.025	3,457
Grants for Agricultural Research, Special Research Grants	10.200	21,057
Agricultural Experiment Station	10.203	1,627,131
Cooperative Extension Service	10.500	3,320
School Breakfast Program	10.553	4,005,893
National School Lunch Program	10.555	14,529,584
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	13,708,675
Child and Adult Care Food Program	10.558	3,679,453
Summer Food Service Program for Children	10.559	3,896,413
State Administrative Matching Grants for Food Stamp Program	10.561	15,318,959
Nutrition Education and Training Program	10.564	21,361
Commodity Supplemental Food Program	10.565	434,945
Emergency Food Assistance Program (Administrative Costs)	10.568	158,846
Nutrition Program for the Elderly	10.570	561,642
WIC Farmers Market Nutrition Program (FMNP)	10.572	285,847

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Administrative Reviews and Training	10.574	1,285
Senior Farmers Market Nutrition Program	10.576	179,354
Cooperative Forestry Assistance	10.664	116,443
<b>Total U.S. Department of Agriculture</b>		<b>58,553,665</b>
<b>U.S. Department of Homeland Security</b>		
State and Local Assistance	83.534	32,932
Hazard Mitigation Grant	83.543	(149)
Homeland Security Preparedness Technical Assistance Program	97.007	40,419
Urban Areas Security Initiative	97.008	170,000
Emergency Management Performance Grants	97.042	1,355,723
Fire Operations and Firefighter Safety	97.044	376,000
Homeland Security Grant Program	97.067	31,289,282
MAP Modernization Management Support	97.070	30,000
Rail and Transit Security Grant Program	97.075	8,539,204
<b>Total U.S. Department of Homeland Security</b>		<b>41,833,411</b>
<b>U.S. Department of Justice</b>		
Asset Forfeitures	16.000	649,999
State and Local Domestic Preparedness Equipment Support Program	16.007	(895)
Civil Rights Prosecution	16.109	32,976
Prisoner Reentry Initiative Demonstration	16.202	419,106
Juvenile Accountability Incentive Block Grants	16.523	217,036
Title II Formula Grant - Administration	16.540	626,550
Title V - Delinquency Prevention Program	16.548	95,039
Paul Coverdell Forensic Science	16.550	113,765
National Criminal History Improvement Program (NCHIP)	16.554	23,773
Comprehensive Communities Program	16.572	440,000
Crime Victim Assistance	16.575	1,303,705
Byrne Formula Grant	16.579	3,494,857
Crime Victim Assistance /Discretionary Grants	16.582	64,973
Violence Against Women Formula Grants	16.588	743,607

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Grants to Encourage Arrest Policies	16.590	58,267
Local Law Enforcement Block Grants Program	16.592	117,963
Residential Substance Abuse - Admin	16.593	632,101
Community Capacity Development Office	16.595	61,849
Public Safety Partnership and Community Policing Grants	16.710	259,327
Enforcing Underage Drinking Laws Program	16.727	277,313
Forensic DNA Backlog Reduction Program	16.741	15,390
Forensic Casework DNA Backlog Reduction Program	16.743	27,129
Mental Health and DOJ Collaboration Project	16.745	623
<b>Total U.S. Department of Justice</b>		<u>9,674,453</u>
<b>Environmental Protection Agency</b>		
Air Pollution Control Program Support	66.001	920,660
State Indoor Radon Grants	66.032	110,000
Construction Grants for Wastewater Treatment Works	66.418	46,622
Water Pollution Control-State and Interstate Program Support	66.419	1,119,919
Water Quality Management Planning	66.454	100,000
Nonpoint Source Implementation Grants	66.460	1,983,402
Water Quality Cooperative Agreements	66.463	72,190
Chesapeake Bay Program	66.466	1,073,733
Performance Partnership Grants	66.605	176,584
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	187,928
TSCA Title IV State Lead Grants–Certification of Lead Based Paint Professionals	66.707	404,575
Intergrated Pest Management	66.716	1,848
Hazardous Waste Management State Program Support	66.801	167,884
State and Tribal Underground Storage Tanks Program	66.804	99,258
Leaking Underground Storage Tank-Trust Fund Program	66.805	319,138
Superfund State Core Program Cooperative Agreements	66.809	100,075
Brownfield Site Assessment	66.811	23,938
State and Tribal Response Program Grants	66.817	277,664
<b>Total Environmental Protection Agency</b>		<u>7,185,418</u>

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>Social Security Administration</b>		
Social Security – Disability Insurance	96.001	5,777,438
<b>Corporation for National and Community Service</b>		
State Commissions	94.003	333,599
Learn and Serve Community Based Program	94.004	649,496
AmeriCorps	94.006	1,790,793
Planning and Program Development Grants	94.007	431,845
Training and Technical Assistance	94.009	88,259
Senior Companion Program	94.016	302,082
<b>Total Corporation for National and Community Service</b>		<b>3,596,074</b>
<b>U.S. Department of Defense</b>		
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	205,658
National Guard Military Operations and Maintenance (O&M) Projects	12.401	1,246,142
Youth Challenge Program	12.404	409,675
<b>Total U.S. Department of Defense</b>		<b>1,861,475</b>
<b>U.S. Department of the Interior</b>		
Sport Fish Restoration	15.605	592,040
State Wildlife Grants	15.634	121,747
USGS-WRRI Student Internship Program	15.805	107,076
Historic Preservation Fund Grants-In-Aid	15.904	429,825
Urban Park and Recreation Recovery Program	15.919	(21,519)
<b>Total U.S. Department of the Interior</b>		<b>1,229,169</b>
<b>U.S. Department of Commerce</b>		
Chesapeake Bay Studies	11.457	106,286
Atlantic Coastal Fisheries Cooperative Management	11.474	23,844
Public Safety Interoperable Communications Grant Program	11.555	828,152
Measurement and Engineering Research and Standards	11.609	7,315
<b>Total U.S. Department of Commerce</b>		<b>965,597</b>



# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Energy</b>		
National Energy Information Center	81.039	1,000
State Energy Program	81.041	269,628
Weatherization Assistance for Low-Income Persons	81.042	646,404
State Energy Program-Special Projects	81.119	(242)
<b>Total U.S. Department of Energy</b>		<u>916,790</u>
<b>Institute of Museum and Library Services</b>		
Grants to States	45.310	<u>913,218</u>
<b>National Endowment for the Arts</b>		
Promotion of the Arts-Partnership Agreements	45.025	<u>581,043</u>
<b>National Science Foundation</b>		
Computer and Information Science and Engineering	47.070	60,326
Stem Research and Training Center	47.076	487,757
<b>Total National Science Foundation</b>		<u>548,083</u>
<b>National Aeronautics and Space Administration</b>		
Partnership Sustainable Space Science	43.001	<u>132,142</u>
<b>Equal Employment Opportunity Commission</b>		
Employment Discrimination-Title VII of the Civil Rights Act of 1964	30.001	<u>107,911</u>
<b>Internal Revenue Service, Department of Treasury</b>		
Low Income Taxpayer Clinics	21.008	<u>83,524</u>
<b>National Endowment for the Humanities</b>		
Promotion of the Humanities Division of Preservation and Access	45.149	<u>10,032</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 2,088,633,597</u>

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>Department of Health</b>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 13,698,577
State Administrative Matching Grants for Food Stamp Program	10.561	1,465,408
Commodity Supplemental Food Program	10.565	434,945
WIC Farmers Market Nutrition Program (FMNP)	10.572	285,847
Senior Farmers Market Nutrition Program	10.576	179,354
Shelter Plus Care	14.238	249,485
Housing Opportunities for Persons with AIDS	14.241	11,798,999
Compensation and Working Conditions	17.005	61,185
Safe and Drug-Free Schools and Communities-State Grants	84.186	613,781
Aging and Disability Resource Center	93.048	212,918
Vital Statistics Re-engineering Program	93.066	91,286
Public Health Emergency Preparedness	93.069	7,943,996
Maternal and Child Health Federal Consolidated Programs	93.110	254,253
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	744,746
Primary Care Services-Resource Coordination and Development	93.130	122,736
Injury Prevention and Control Research and State and Community Based Programs	93.136	18,025
Childhood Lead Poisoning Prevention Projects_State and Local	93.197	548,442
Substance Abuse and Mental Health Services	93.243	251,260
Universal Newborn Hearing Screening	93.251	153,480
Immunization Grants	93.268	1,373,985
Substance Abuse and Mental Health Services - Access to Recovery	93.275	703,279
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	1,299,361
Refugee and Entrant Assistance-Discretionary Grants	93.576	57,268
State Children's Health Insurance Program	93.767	10,106,426
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	124,925
Demonstration to Maintain Independence and Employment	93.769	3,839,562
State Survey and Certification of Health Care Providers and Suppliers	93.777	3,312,218
Medical Assistance Program	93.778	1,052,343,446

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Centers for Medicare and Medicaid Services (CMS)		
Research, Demonstrations, and Evaluations	93.779	(414,097)
Money Follows the Person Rebalancing Demonstration	93.791	243,453
Medicaid Transportation Grant	93.793	750
Bioterrorism and Hospital Preparedness	93.889	1,491,230
HIV Emergency Relief Project Grants	93.914	25,497,283
HIV Care Formula Grants	93.917	28,759,387
Cooperative Agreements for State-Based Comprehensive		
Breast and Cervical Cancer Early Detection Programs	93.919	940,550
Healthy Start Initiative	93.926	3,903,680
HIV Prevention Activities	93.940	8,094,399
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus		
Syndrome (AIDS) Surveillance	93.944	2,158,674
Assistance Programs for Chronic Disease Prevention and Control	93.945	334,886
Block Grants for Prevention and Treatment of Substance Abuse	93.959	5,962,572
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	983,656
Cooperative Agreements for State-Based Diabetes Control Programs	93.988	253,441
Preventive Health and Health Services Block Grant	93.991	789,436
Maternal and Child Health Services Block Grant to the States	93.994	6,569,235
<b>Total Department of Health</b>		<b>1,197,857,728</b>
<b>Department of Employment Services</b>		
Labor Force Statistics	17.002	642,504
Employment Service	17.207	2,802,642
Unemployment Insurance	17.225	163,365,934
Senior Community Service Employment Program	17.235	561,808
WIA Adult Program	17.258	2,692,573
WIA Youth Activities	17.259	2,655,990
WIA Dislocated Workers	17.260	5,415,854
WIA Navigator Project	17.266	275,302
Work Opportunity Tax Credit Program	17.271	64,108
Temporary Labor Certification for Foreign Workers	17.273	86,537

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Consultation Agreements	17.504	448,000
Disabled Veterans' Outreach Program (DVOP)	17.801	220,592
Local Veterans' Employment Representative Program	17.804	298,141
<b>Total Department of Employment Services</b>		179,529,985
<b>Department of Public Works</b>		
Cooperative Forestry Assistance	10.664	116,443
Highway Planning and Construction	20.205	158,434,491
Federal Transit – Metropolitan Planning Grants	20.505	394,658
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	602,279
State and Community Highway Safety	20.600	2,436,920
<b>Total Department of Public Works</b>		161,984,791
<b>Department of Human Services</b>		
State Administrative Matching Grants for Food Stamp Program	10.561	12,996,962
Special Education-Grants for Infants and Families with Disabilities	84.181	1,890,593
D.C. Fatherhood Initiative	93.086	1,315,193
Temporary Assistance for Needy Families	93.558	85,648,774
Refugee and Entrant Assistance-State Administered Programs	93.566	825,435
Community Services Block Grant	93.569	11,024,948
Strong Families - D.C. Kids	93.592	125,044
Head Start - Direct Funding	93.600	74,451
Developmental Disabilities Basic Support and Advocacy Grant	93.630	486,765
Social Services Block Grant	93.667	7,253,545
Family Violence Prevention and Services State Grants	93.671	705,827
Health Care Financing Administration (Medicaid)	93.778	16,738,358
<b>Total Department of Human Services</b>		139,085,895
<b>Office of the State Superintendent of Education</b>		
School Breakfast Program	10.553	4,005,893
National School Lunch Program	10.555	14,529,584
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	10,098
Child and Adult Care Food Program	10.558	3,679,453

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Summer Food Service Program for Children	10.559	3,896,413
Nutrition Education and Training Program	10.564	21,361
Emergency Food Assistance Program (Administrative Costs)	10.568	158,846
Administrative Reviews and Training	10.574	1,285
State Adult Education	84.002	717,041
Title I Grants to Local Educational Agencies	84.010	21,186,344
Special Education-Grants to States	84.027	4,732,097
Career and Technical Education-Basic Grants to States	84.048	2,592,844
State Student Incentive Grant/Supplement	84.069	476,880
Special Education-Preschool Grants	84.173	283,125
Byrd Honors Scholarships	84.185	58,500
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,212,939
Education for Homeless Children and Youth	84.196	110,917
Even Start-State Educational Agencies	84.213	588,000
Title II Math Science Program	84.281	101,812
Charter Schools	84.282	2,777,613
Twenty-First Century Community Learning Centers	84.287	4,096,384
Title VII-Innovative Education Program	84.298	531,855
Education Technology State Grants	84.318	448,192
State Program Improvement - Special Education	84.323	459,598
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	462,120
Teacher Quality Enhancement Grants	84.336	111,637
Title I Reading First State Grants	84.357	1,575,906
Title III Language Acquisition State Grant	84.365	648,199
Math Science Partnership	84.366	944,465
Improving Teacher Quality State Grants	84.367	-
Grants for State Assessments and Related Activities	84.369	2,713,597
Statewide Data Systems	84.372	2,170,701
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,125,175
<b>Total Office of the State Superintendent of Education (OSSE)</b>		<b>85,428,874</b>

\* The District was unable to divide these expenditures between OSSE and DCPS. Total expenditures are included with the DCPS programs.

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>Department of Housing and Community Development</b>		
Community Development Block Grants/Entitlement Grants	14.218	48,767,212
Emergency Shelter Grants Program	14.231	432,562
Shelter Plus Care	14.238	2,795,766
HOME Investment Partnerships Program	14.239	15,098,172
Lead-Based Paint Hazard Control	14.900	1,149,054
Lead-Based Paint Hazard Reduction Demonstration	14.905	1,481,561
<b>Total Department of Housing and Community Development</b>		<b>69,724,327</b>
<b>D.C. Public Schools</b>		
Title I Grants to Local Educational Agencies	84.010	30,502,786
Special Education-Grants to States	84.027	10,580,532
Impact Aid	84.041	1,939,706
Career and Technical Education-Basic Grants to States	84.048	4,113,767
Twenty-First Century Community Learning Centers	84.287	83,044
Comprehensive School Reform Demonstration	84.332	115
Arts in Education	84.351	102,957
Title I Reading First State Grants	84.357	109,924
Title III Language Acquisition State Grant	84.365	1,413
Math Science Partnership	84.366	79,000
Improving Teacher Quality State Grants	84.367	8,787,514 *
Head Start - Direct Funding	93.600	6,460,632
Head Start - Pass-through Funding from United Planning Organization	93.600	3,150,076
Improvements of the Health and Well-Being of Youth	93.938	83,775
<b>Total D.C. Public Schools (DCPS)</b>		<b>65,995,241</b>
<b>Homeland Security and Emergency Management Agency</b>		
Public Safety Interoperable Communications Grant Program	11.555	828,152
State and Local Assistance	83.534	32,932
Hazard Mitigation Grant	83.543	(149)
Urban Areas Security Initiative	97.008	170,000
Emergency Management Performance Grants	97.042	1,355,723
Homeland Security Grant Program	97.067	31,289,282

\* The District was unable to divide these expenditures between OSSE and DCPS. Total expenditures are included with the DCPS programs.

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
MAP Modernization Management Support	97.070	30,000
Rail and Transit Security Grant Program	97.075	8,539,204
<b>Total Homeland Security and Emergency Management Agency</b>		<u>42,245,144</u>
<b>Child and Family Services Agency</b>		
Promoting Safe and Stable Families	93.556	1,187,586
State Educational Training Voucher Program	93.599	207,052
Children's Justice Act	93.643	75,081
Child Welfare Services-State Grants	93.645	324,541
Foster Care - Title IV-E	93.658	17,213,763
Adoption Assistance	93.659	18,964,703
Child Abuse and Neglect State Grants	93.669	86,381
Chafee Foster Care Independent Living	93.674	1,092,478
<b>Total Child and Family Services Agency</b>		<u>39,151,585</u>
<b>Department of Disability Services</b>		
Vocational Rehabilitation Grants to States	84.126	11,121,742
Rehabilitation Services-Client Assistance Program	84.161	116,957
Independent Living-State Grants	84.169	236,356
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	222,500
Supported Employment Services for Individuals with Severe Disabilities	84.187	289,505
Assistive Technology	84.224	368,110
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	20,877
Medical Assistance Program	93.778	4,882,646
Social Security – Disability Insurance	96.001	5,777,438
<b>Total Department of Disability Services</b>		<u>23,036,131</u>
<b>Office of the Attorney General</b>		
Child Support Enforcement	93.563	16,719,785
Child Support Enforcement Research	93.564	125,000
Access and Visitation Program	93.597	100,000
<b>Total Office of the Attorney General</b>		<u>16,944,785</u>

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>District Department of Environment</b>		
Chesapeake Bay Studies	11.457	106,286
Atlantic Coastal Fisheries Cooperative Management	11.474	23,844
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	205,658
Sport Fish Restoration	15.605	592,040
State Wildlife Grants	15.634	121,747
Air Pollution Control Program Support	66.001	920,660
State Indoor Radon Grants	66.032	110,000
Construction Grants for Wastewater Treatment Works	66.418	46,622
Water Pollution Control-State and Interstate Program Support	66.419	1,119,919
Water Quality Management Planning	66.454	100,000
Nonpoint Source Implementation Grants	66.460	1,983,402
Water Quality Cooperative Agreements	66.463	72,190
Chesapeake Bay Program	66.466	1,073,733
Performance Partnership Grants	66.605	176,584
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	187,928
TSCA Title IV State Lead Grants–Certification of Lead Based Paint Professionals	66.707	404,575
Hazardous Waste Management State Program Support	66.801	167,884
State and Tribal Underground Storage Tanks Program	66.804	99,258
Leaking Underground Storage Tank-Trust Fund Program	66.805	319,138
Superfund State Core Program Cooperative Agreements	66.809	100,075
Brownfield Site Assessment	66.811	23,938
State and Tribal Response Program Grants	66.817	277,664
National Energy Information Center	81.039	1,000
State Energy Program	81.041	269,628
Weatherization Assistance for Low-Income Persons	81.042	646,404
State Energy Program-Special Projects	81.119	(242)
Low-Income Home Energy Assistance Program	93.568	7,655,223
<b>Total District Department of Environment</b>		<b>16,805,158</b>



# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>University of the District of Columbia</b>		
Pesticide Application Training	10.025	3,457
Grants for Agricultural Research, Special Research Grants	10.200	21,057
Agricultural Experiment Station	10.203	1,627,131
Cooperative Extension Service	10.500	3,320
Measurement and Engineering Research and Standards	11.609	7,315
USGS-WRRI Student Internship Program	15.805	107,076
Low Income Taxpayer Clinics	21.008	83,524
Partnership Sustainable Space Science	43.001	132,142
Computer and Information Science and Engineering	47.070	60,326
Stem Research and Training Center	47.076	487,757
Intergrated Pest Management	66.716	1,848
State Adult Education	84.002	918
Federal Supplemental Educational Opportunity Grants	84.007	789,832
Higher Education Institutional Aid	84.031	3,108,572
Job Locator Development	84.033	207,310
TRIO-Student Support Services	84.042	476,188
TRIO-Talent Search	84.044	371,913
TRIO-Upward Bound	84.047	280,082
Federal Pell Grant Program	84.063	5,256,544
Minority Science Improvement	84.120	(389)
Special Education - Personnel Preparation to Improve Services	84.325	136,369
Transition to Teaching	84.350	147,107
Minority Health and Health Disparities Research	93.307	775,888
Minority Biomedical Research Support	93.375	415,344
Cancer Centers Support	93.397	340,728
Head Start - Direct Funding	93.600	124,958
MBRS - Research	93.859	179,541
US DHHS SDA Speech Pathology (GRAD)	93.925	227,116
Planning and Program Development Grants	94.007	369,490
Senior Companion Program	94.016	302,082
<b>Total University of the District of Columbia</b>		<b>16,044,546</b>

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>Office on Aging</b>		
Nutrition Program for the Elderly	10.570	561,642
Elder Abuse Prevention	93.041	25,000
Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	939,485
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	1,736,526
Special Programs for the Aging_ Title III, Part C_ Nutrition Services Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.045	3,002,425
Demonstration Grants to States with Respect to Alzheimer's Disease	93.779	132,395
	93.951	263,768
<b>Total Office on Aging</b>		6,661,241
<b>Department of Mental Health</b>		
Mental Health and DOJ Collaboration Project	16.745	623
Projects for Assistance in Transition from Homelessness (PATH)	93.150	289,209
Oral Health Expansion	93.236	157,907
Substance Abuse and Mental Health Services	93.243	1,363,072
Medical Assistance Program	93.778	4,017,555
Early Periodic Screening & Treatment to Adult Support	93.779	220,056
Block Grants for Community Mental Health Services	93.958	167,621
<b>Total Department of Mental Health</b>		6,216,043
<b>Office of Justice Grants Administration</b>		
Prisoner Reentry Initiative Demonstration	16.202	419,106
Juvenile Accountability Incentive Block Grants	16.523	217,036
Title II Formula Grant - Administration	16.540	626,550
Title V - Delinquency Prevention Program	16.548	95,039
Paul Coverdell Forensic Science	16.550	88,409
Byrne Formula Grant	16.579	3,138,660
Residential Substance Abuse - Admin	16.593	632,101
Enforcing Underage Drinking Laws Program	16.727	277,313
<b>Total Office of Justice Grants Administration</b>		5,494,214

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>Metropolitan Police Department</b>		
Asset Forfeitures	16.000	649,999
Civil Rights Prosecution	16.109	32,976
National Criminal History Improvement Program (NCHIP)	16.554	23,773
Byrne Formula Grant	16.579	356,197
Local Law Enforcement Block Grants Program	16.592	117,963
Community Capacity Development Office	16.595	61,849
Public Safety Partnership and Community Policing Grants	16.710	259,327
Forensic DNA Backlog Reduction Program	16.741	15,390
Forensic Casework DNA Backlog Reduction Program	16.743	27,129
Boating Safety	20.002	1,325,040
Highway Planning and Construction	20.205	394,657
National Motor Carrier Safety	20.218	267,926
Occupant Protection	20.602	7,683
Homeland Security Preparedness Technical Assistance Program	97.007	40,419
<b>Total Metropolitan Police Department</b>		<b>3,580,328</b>
<b>Serve D.C.</b>		
State Commissions	94.003	333,599
Learn and Serve Community Based Program	94.004	651,118
AmeriCorps	94.006	1,790,793
Planning and Program Development Grants	94.007	71,544
Training and Technical Assistance	94.009	88,259
<b>Total Serve D.C.</b>		<b>2,935,313</b>
<b>Office of Victim Services</b>		
Crime Victim Assistance	16.575	1,268,814
Crime Victim Assistance /Discretionary Grants	16.582	64,973
Violence Against Women Formula Grants	16.588	743,607
Grants to Encourage Arrest Policies	16.590	58,267
<b>Total Office of Victim Services</b>		<b>2,135,661</b>

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>Office of Inspector General</b>		
State Medicaid Fraud Control Units	93.775	1,682,581
<b>D.C. National Guard</b>		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	1,246,142
Youth Challenge Program	12.404	409,675
<b>Total D.C. National Guard</b>		<b>1,655,817</b>
<b>D.C. Public Library</b>		
Promotion of the Humanities_Division of Preservation and Access	45.149	10,032
Grants to States	45.310	913,218
<b>Total D.C. Public Library</b>		<b>923,250</b>
<b>Office of the Chief Financial Officer</b>		
Food Stamps	10.561	856,589
<b>Department of Human Rights</b>		
National Fair Housing Training Academy	14.401	237,505
Fair Housing Assistance Program	14.408	295,747
Employment Discrimination-Title VII of the Civil Rights Act of 1964	30.001	107,911
<b>Total Department of Human Rights</b>		<b>641,163</b>
<b>Commision on Arts and Humanities</b>		
Promotion of the Arts-Partnership Agreements	45.025	581,043
<b>Department of Corrections</b>		
Comprehensive Communities Program	16.572	440,000
<b>Office of Municipal Planning</b>		
Historic Preservation Fund Grants-In-Aid	15.904	429,825
<b>Fire and Emergency Medical Services Department</b>		
Fire Operations and Firefighter Safety	97.044	376,000
<b>Public Service Commision</b>		
Pipeline Safety	20.700	120,400
<b>Board of Elections &amp; Ethics</b>		
Election Assistance for Individuals with Disabilities	93.617	42,917

# Government of the District of Columbia

## Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2008

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>Office of the City Administrator</b>		
State and Local Domestic Preparedness Equipment Support Program	16.007	(895)
Crime Victim Assistance	16.575	34,891
<b>Total Office of the City Administrator</b>		<u>33,996</u>
<b>Criminal Justice Coordinating Council</b>		
Paul Coverdell Forensic Science	16.550	25,356
<b>Office of the Mayor</b>		
Learn and Serve Community Based Program	94.004	(1,622)
Planning and Program Development Grants	94.007	(9,189)
<b>Total Office of the Mayor</b>		<u>(10,811)</u>
<b>Department of Parks and Recreation</b>		
Urban Park and Recreation Recovery Program	15.919	(21,519)
<b>Total Expenditures of Federal Awards</b>		<u>\$ 2,088,633,597</u>

# Government of the District of Columbia

## Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2008

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, 2008. 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, 2008

3. **Federally Funded Loan Programs** *Home Investment Partnerships Program (CFDA # 14.239)*  
The amount in the accompanying schedules does not reflect \$39,391,171 of outstanding loans at September 30, 2008, as well as the value of new loans \$10,942,118 made during the fiscal year, less adjustments and principal payments of \$1,284,821.

*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 \$6,359,671 during the year ended September 30, 2008; 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 2008, the District received cash rebates from infant formula manufacturers in the amount of approximately \$5.3 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** 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	\$ 130,407,341
Federal UI Benefits	4,300,145
Federal Extended UI Benefits	15,529,250
Federal UI Administrative Expenditures	13,129,198
<hr/>	
Total	\$ 163,365,934

# Government of the District of Columbia

## Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2008

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, 2008, 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.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 39,341,066
Homeland Security Grant Program	97.067	30,678,140
HIV Emergency Relief Project Grants	93.914	21,893,403
HOME Investment Partnerships Program	14.239	14,325,435
HIV Care Formula Grants	93.917	12,420,217
Title I Grants to Local Educational Agencies	84.010	11,735,986
Housing Opportunities for Person with AIDS	14.241	11,496,618
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,125,175
Rail and Transit Security Grant Program	97.075	7,367,265
Community Services Block Grant	93.569	7,237,545
Career and Technical Education – Basic Grants to States	84.048	5,503,461
Foster Care – Title IV-E	93.658	4,836,155
Social Services Block Grant	93.667	3,935,917
Improving Teacher Quality State Grants	84.367	2,829,146
Special Education Cluster	84.027, 84.173	2,401,882
HIV Prevention Activities	93.940	1,779,260
Workforce Investment Act Cluster	17.258, 17.259, 17.260	1,550,501
Block Grants for Prevention and Treatment of Substance Abuse	93.959	886,248
Low-Income Home Energy Assistance Program	93.568	628,856
Nonpoint Source Implementation Grants	66.460	356,498
Highway Safety Cluster	20.600, 20.602	261,933
Head Start	93.600	118,000



# Government of the District of Columbia

## Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2008

**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.

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**

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Section I - Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	<u>  X  </u> yes <u>      </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>  X  </u> yes <u>      </u> none reported
• Noncompliance material to financial statements noted?	<u>  X  </u> yes <u>      </u> no

#### Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	<u>  X  </u> yes <u>      </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>  X  </u> yes <u>      </u> none reported

Except for CFDA Number 17.207, 17.801, 17.804, Employment Service Cluster, CFDA Number 17.258, 17.259, 17.260, Workforce Investment Act Cluster, and CFDA Number 20.600, 20.602, Highway Safety Cluster, all other major programs as identified on pages 41 and 42 have at least one significant deficiency or other instance of noncompliance.

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for Food Stamp Program
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
17.225	Unemployment Insurance
20.205	Highway Planning and Construction
66.460	Nonpoint Source Implementation Grants

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.048	Career and Technical Education – Basic Grants to States
84.126	Vocational Rehabilitation Grants to States
84.367	Improving Teacher Quality State Grants
84.372	Statewide Data Systems
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.569	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
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.775, 93.777, 93.778	Medical Assistance Program Cluster
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security – Disability Insurance
97.067	Homeland Security Grant Program
97.075	Rail and Transit Security Grant Program

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

yes       no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for Food Stamp Program
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
17.207, 17.801, 17.804	Employment Service Cluster
17.225	Unemployment Insurance
17.258, 17.259, 17.260	Workforce Investment Act Cluster
20.205	Highway Planning and Construction

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.600, 20.602	Highway Safety Cluster
66.460	Nonpoint Source Implementation Grants
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.048	Career and Technical Education – Basic Grants to States
84.126	Vocational Rehabilitation Grants to States
84.367	Improving Teacher Quality State Grants
84.372	Statewide Data Systems
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance Program
93.569	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
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.775, 93.777, 93.778	Medical Assistance Program Cluster
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security – Disability Insurance
97.067	Homeland Security Grant Program
97.075	Rail and Transit Security Grant Program

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

\$ 6,265,901

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, 2008

### Section II – Financial Statement Findings

#### 2008-01 Treasury Functions

The District's Office of Finance and Treasury (OFT) has the responsibility for maintaining custody of all public funds belonging to or under the control of the District government. As part of that responsibility, OFT oversees the activity of the District's cash and investment accounts. OFT works with the Office of Financial Operations and Systems (OFOS) to ensure proper recording of cash and investment activity. During the audit process it was noted the District experienced issues with this responsibility. The details of these issues are discussed in the remaining section of this finding.

#### Cash and Investment Account Activity

The District is not accounting for all of its cash and investment activity appropriately in the District's accounting system of record (SOAR) on a timely basis. During the audit process, we noted numerous unidentified and unrecorded transactions listed as reconciling items in a vast majority of the cash and investment accounts selected for testing. These unidentified and unrecorded transactions date back to October 2007.

The District's process of accounting for reconciling items is summarized in this paragraph. Bank statements arrive approximately 10 working days after the close of each month. After all reconciling items have been identified, the corresponding District agency is contacted and reconciling transactions are forwarded to the appropriate personnel for resolution. With the exception of the month of September, the District's policy is that the cash reconciliation process span a 30-45 day period which includes resolution of these unidentified and unrecorded transactions. The District is currently not in compliance with its own internal policies.

Further, there was significant difficulty in agreeing the confirmed investment balances to the respective SOAR accounts which resulted in delays, rework, and extensive time spent by various personnel during the audit process.

Timely preparation of complete and accurate reconciliations is key to maintaining adequate control over cash receipts and disbursements. Not reconciling accounts on a periodic basis means that errors or other problems might not be recognized and resolved on a timely basis. It is generally easier and less time-consuming to reconcile accounts timely. Also, an unreconciled difference that appears immaterial can obscure significant but offsetting items.

We recommend the District enforce its policy to ensure unidentified and unrecorded transactions are not listed on the reconciliations but are properly reflected in SOAR on a timely basis to ensure the accuracy of cash and investments each month. We further recommend the District enforce its policies and that OFT take measures to enter investment activity into SOAR on a more regular basis. The District should also consider expanding its review of the cash and investment reconciliation process.

Communication between OFT and OFOS should be streamlined to allow for timely resolution of these outstanding issues. Steps should be taken to ensure that all employees maintain a clear understanding of how duties should be performed and the flow of responsibility.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

OFT and OFOS should communicate more regularly on the status of outstanding items and changes being made or recommended. A forum may be necessary for suggestions or concerns as a means for using a team-approach to resolving outstanding items.

### Bank Reconciliation Process (BID 121)

Bank Account ID (BID) 121 is a pooled cash account which is centrally managed by OFT and reconciled by OFOS. During our audit process over the year-end bank reconciliation, we noted the following:

- 1) A reconciling item entitled "Journal Entry Credit Posting Errors" in the amount of \$31,877,497 was on the year-end bank reconciliation. The amount was adjusted during the audit process as follows:
  - o 2 journal vouchers represented entries intended to record an accrual for payroll expense related to Medicaid, and thus should have been recorded to a liability account and not to cash. The effect of these correcting entries was to decrease cash and increase liabilities by \$27,529,776.
  - o 3 journal vouchers represented incorrect postings of wire transfers relating to another BID account. The total amount incorrectly recorded was \$3,912,417.
- 2) The SOAR report provided with the reconciliation reflected a balance which was incorrect by \$141,835.
- 3) Stopped checks in the amount of \$3,008,345 had been carried forward on the reconciliation from the prior year. While stop payments had been issued by the District on these amounts, we noted that \$257,827 of current year checks were honored by the bank despite their cancellation. Our understanding from the prior year was that management had implemented an electronic process to minimize the occurrence of such errors.

### ***Management's Response:***

*The following response was provided by Office of Financial Operations and Systems (OFOS) personnel:*

BID 121 is reconciled and reviewed by management on a monthly basis. As reconciling items are identified, they are presented to the agencies to make the correcting entries. To maintain the proper segregation of duties, OFOS' reconciliation staff is not permitted to prepare journal entries for the reconciling items. These reconciling items remain on the reconciliation, from month to month, until the agency has recorded the proper entries to the account.

The SOAR Report mentioned reflects a known variance in the SOAR data from prior years. This report is adjusted for this variance in our reconciliation.

We will provide to OFT, on a monthly basis, a listing of cancelled checks that were cashed by the bank.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

*The following response was provided by Office of Finance and Treasury (OFT) personnel:*

BID 121 is a controlled disbursement account on which payments are made and recorded by various District agencies. OFT is responsible for funding the presentments against this account, but is not responsible recording or reconciling the payment activity in this account. OFT will work closely with OFOS going forward to ensure that any issues that relate to OFT or for which OFT can be of assistance are properly addressed.

### Bank Reconciliation Process (BID 200)

BID 200 is a pooled cash account used by various agencies but centrally maintained by OFT and then reconciled by OFOS. During our audit process over the year-end bank reconciliation, we noted the following:

- 1) The reconciliation included erroneous journal entries as of year-end. We reviewed a sample of the entries and noted issues as follows:
  - o 1 journal voucher in the amount of \$76,688,960 represented a prepaid asset.
  - o Another journal voucher of approximately \$43,000,000 was recorded to BID 200 incorrectly and was reclassified to the appropriate cash account during the audit process.
  - o 2 journal vouchers of approximately \$59,000,000 represented transactions that were incorrectly recorded amongst a variety of cash accounts, which were reclassified during the audit process.
  - o 9 journal vouchers totaling \$308,000,000 represented transactions that were inadvertently on the reconciliation twice.
  - o 1 journal voucher totaling approximately \$54,000,000 was a data entry error.
- 2) The reconciliation included significant unrecorded bank transactions. Of this amount, \$5,233,141 were outgoing wire transfers that were improperly recorded as FY 2009 transactions. The remaining amounts were primarily transfers to other cash accounts that were not properly reconciled until January 2009, during the audit process.

### *Management's Response:*

*The following response was provided by Office of Financial Operations and Systems (OFOS) personnel:*

BID 200 is reconciled and reviewed by management on a monthly basis. As reconciling items are identified, they are presented to the agencies to make the correcting entries. To maintain the proper segregation of duties, OFOS' reconciliation staff is not permitted to prepare journal entries for the reconciling items. These reconciling items remain on the reconciliation, from month to month, until the agency has recorded the proper entries to the account.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

*The following response was provided by Office of Finance and Treasury (OFT) personnel:*

BID 200 represents the District's central custodial account, and is utilized for transactions initiated by various agencies throughout the government. Certified agency personnel are required to authorize and record disbursements initiated by their respective agencies prior to the movement of the funds. Movement of funds in and out of BID 200 initiated by OFT typically represents the transfer of funds from one District account to another. Appropriate schedules and statements are maintained to document all of the funds movements and balances in each account on a daily basis.

It is important to stress that the finding does not reflect funds being improperly transacted. It reflects issues regarding the posting of journal entries into the accounting system. Safeguards are in place, and were in place throughout FY 2008, to ensure that fund movements are only transacted by authorized and certified officers of the District, with the requirement that multiple persons initiate, authorize, and release such transactions. All transactions were properly executed with the appropriate authorizations.

Having said that, it is important that entries be appropriately posted in the accounting system, and that is occurring on a daily basis. During a period of time in the second half of FY 2007 and the first half of FY 2008, an abnormal confluence of employee turnover and the corresponding temporary vacancies in three positions in the chain of command responsible for this activity in OFT caused a temporary disruption in the execution of the standard journal entry posting process. Management was very focused on ensuring that transactions were properly executed by personnel temporarily assigned to this activity while building a new team to manage and execute these functions. All transactions were properly executed. A new, high-quality team is now in place and functioning well.

Under its new management, the Cash & Investments Management Unit in OFT has implemented enhanced procedures for ensuring that all transactions are journalized appropriately, timely, and accurately on an ongoing basis. The Office of Integrity and Oversight has reviewed these procedures and determined that they are appropriate and sound.

Moreover, OFT and OFOS have initiated enhanced coordination to ensure that all issues that involve an intersection between the two offices are appropriately handled and that the appropriate steps are taken to ensure that this finding and other findings of this nature do not recur in FY 2009.

### Bank Reconciliation Process (BID 999)

The District maintains this BID for recording transfers of funds between various SOAR accounts, BID accounts, and funds. When all the transfers have been properly made and activity has been properly identified, the net balance of this account should be zero. However, during our audit, we noted exceptions including the following:

- 1) 4 agency bank accounts were reflected in BID 999 totaling approximately \$11,000,000. These amounts were adjusted during the audit process to ensure that agency cash accounts were properly reflected in the September 30, 2008 Comprehensive Annual Financial Report (CAFR).

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 2) At year-end, approximately \$4,800,000 of consumable inventory was included in BID 999 as a result of an incorrect journal entry. The result was that inventory was understated by this amount at year-end.
- 3) During the audit process, an \$11,900,000 credit balance was identified as a result of an incorrect journal entry. The offsetting debit was located in BID 846.
- 4) No separate BID account had been established for certain Tobacco Settlement bank accounts. Over the years, bank activity relating to these accounts, such as deposits and disbursements, had been recorded to BID 999 and this activity accumulated to approximately \$61,800,000. During the audit process, the District established separate BID accounts for these monies and properly reclassified the amounts out of BID 999 to the new BID accounts.

Management does not appear to have procedures in place to review BID 999 to make sure that all entries recorded are properly investigated and transferred out to the correct BIDs.

### *Management's Response:*

The primary purpose of BID 999 is to:

1. Serve as a clearing account for SOAR transactions that require a balancing account when reclassifying transactions from one account to another; and
2. Serve as a Cash Account placeholder for transactions that affect cash, but do not have a BID assigned to them. When the BID is established, the transaction recorded to BID 999 is reversed and the balance is transferred to the new BID.

Occasionally, transactions posted to BID 999 as a placeholder may not clear in the current accounting period, as noted above. OFOS has implemented procedures to monitor pooled cash postings to BID 999. Our procedures identified the activity above, even though, the transactions related to these items were not posted in SOAR until January 2009.

During FY 2009, OFOS will expand its procedures to review BID 999 transactions posting to accounts other than Pooled Cash.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Bank Reconciliation Process (Sampling of BIDs)

Following are other issues noted in our test work:

#### *Pooled Cash Accounts*

- 1) Although we were advised that all pooled cash bank reconciliations are reviewed and approved by a responsible employee, no indication of such a review was evident on the September 30, 2008 reconciliation for BID 216. We also noted that on the original copy of the July 31, 2008 reconciliation for BID 242, the SOAR balance utilized in the reconciliation was that of another BID account. The reconciliation had been signed off as reviewed and approved.
- 2) We noted that the October 31, 2007 reconciliation for BID 130 was not prepared and reviewed until early January 2008. We also noted that while the October 31, 2007 bank reconciliation for BID 268 was prepared on a timely basis, the review was not performed within the timeframe set forth by the District's policy.
- 3) During our review of the outstanding checklist preparation for the September 30, 2008 reconciliation for BID 130, a disbursement account, it was noted that the cash reconciliation unit relies on external reports to determine the total checks paid during the month, as the internal report generated is insufficient.
- 4) During our review of the July 31, 2008 reconciliations for BID 213, 242, and 268, we noted significant unresolved activity which did not correspond to activity in the Bank. The total of these items amounted to \$10,180,869, resulting in an understatement of the cash balance.
- 5) The District incorrectly recorded a cash receipt of \$2,000,000 that arose as a result of a bank error in BID 247. As such, the SOAR balance for this account was overstated.

Further, in BID 247, it was noted that the outstanding checklist calculation was not properly performed, resulting in an additional overstatement of the account by approximately \$960,000. We noted that the outstanding checklist for disbursement accounts includes stale and cancelled checks. As such, each month the cumulative stale and cancelled checks are added back to the total population of outstanding checks to determine the true balance of outstanding checks.

#### *Agency Cash Accounts*

Agency cash accounts are maintained and reconciled by various District agencies and managed by the Office of Financial Operations and Systems (OFOS). Agencies are required to perform monthly reconciliations within 30-45 days from the close of the month. The reconciliations are to be reviewed by agency management and then provided in a quarterly reporting package to OFOS. The reconciliations then undergo a second level of review at OFOS. During our audit process, we noted the following:

- 6) No evidence of OFOS' review of the first quarter reconciliations for BID 269 and the fourth quarter reconciliations for BIDs 713, 483, 260, and 269.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 7) No evidence of the agency's review of the first quarter reconciliations for BID 713 and fourth quarter reconciliations for BID 269.
- 8) The SOAR balance utilized in the bank reconciliation for BID 269 did not agree to the SOAR balance for the month of November 2007. The difference related to accrued interest.
- 9) During our review of the reconciliations for BID 713, we noted the reconciliations were not prepared within the District's policy of 30-45 days.
- 10) During our review of the reconciliations for BID 483, we noted that the District prepared the bank reconciliation on an annual basis and not on a monthly basis.
- 11) In lieu of a bank reconciliation, management provided copies of bank statements for 3 BID accounts selected for testing.

### *Management's Response:*

#### *Pooled Cash Accounts:*

All pooled cash accounts assigned to OFOS are reconciled and reviewed by management on a monthly basis. Management will evaluate our current reconciliation review process and ensure that the evidence of our review is complete.

As reconciling items are identified during the reconciliation process, they are presented to the agencies to make the correcting entries. To maintain the proper segregation of duties, OFOS' reconciliation staff is not permitted to prepare journal entries for the reconciling items. These reconciling items remain on the reconciliation, from month to month, until the agency has recorded the proper entries to the account.

Due to the requirements of the Comprehensive Annual Financial Report (CAFR) audit, the preparation of the pooled cash account reconciliations for the months of October to January can be delayed. However, any delays in preparing reconciliations during this period are usually eliminated by the end of February.

Specifically, for BID 242, when pulling together and copying the reconciliation package, the staff, inadvertently, mixed the reconciliation cover page of another BID to the requested reconciliation package.

#### *Agency Cash Accounts:*

Agency cash is reviewed during the Interim Closings as of March 31 and June 30. A third and final review of agency cash is performed at September 30. OFOS will enhance the Interim Close FY 2009 review procedures by adding the following two steps:

1. A standardized review sheet will be developed and used by OFOS in the review of the Interim and Year-end/Final Agency Cash closing packages.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

2. The communications that occur between the agencies and OFOS during the review process will be documented better in FY 2009.

### Schedule of Investment Portfolio

During our audit process, we requested a schedule to support the valuation of the District's portfolio of investments. The initial schedule provided did not reconcile to SOAR by more than the entire value of the District's investments. A significant amount of extra time and effort was required during the late stages of the audit process in reconciling the completeness of the schedule and in determining which bank and investment accounts were missing from the schedule. This process was made more laborious as it was unclear which District personnel and agencies were responsible for various accounts.

Divisions of responsibility should be clearly defined. Communication between agencies should be open to ensure OFT has the information necessary to allow it to perform its duties. OFT must have the information and detail in place to support its investment balances including a master investment schedule that is regularly reconciled.

### *Management's Response:*

The first point of concern with the finding relates specifically to the request that was made by the auditors to the Associate Treasurer. The auditors specifically requested a copy of OFT's Investment Portfolio/Schedule. They did not request a schedule of the entire District's Cash and Investment Schedule. Those are two distinctly different schedules. We could have provided a comprehensive schedule that included all various cash accounts had that been part of the initial request.

The second point that management would like to make is that the variance indicated by the auditors was resolved and explained to the auditors with supporting documentation to resolve the discrepancy within two to three business days. The variance was addressed and the discrepancy was resolved, as management was able to explain and provide statements to support all of the noted variances.

Going forward, we will be prepared to provide the auditors with the type of schedule that they were apparently seeking when they asked for the Investment Schedule. It is now clear what type of schedule they were seeking, which is distinguishable from our Investment Schedule, thus producing the miscommunication and the apparent variances, which were resolved.

### Bank Reconciliation Process (BID 300)

Bank Account ID (BID) 300 is the main investment account used by various agencies but centrally maintained by OFT and then reconciled by OFOS.

The initial investment reconciliation provided to us by District personnel on December 4, 2008 contained a significant volume of unrecorded transactions and erroneous journal entries within the account.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

We requested the District research, record, and correct these reconciling items. A substantially revised reconciliation was provided to us on January 14, 2009.

While the majority of the differences represented mispostings between investment accounts, we also noted other issues including:

- 1) 2 journal vouchers, for a net balance of \$7,721,633, that could not be supported by activity in the bank. The net result was an overstatement of the account balance.
- 2) 1 journal voucher, for a net balance of \$6,000,000, represented a bank transaction that had been recorded twice. The net result of this entry was an overstatement of the account balance.
- 3) 1 journal voucher in the amount of \$14,000,000 was recorded to the incorrect general ledger account, and thus, was included as a reconciling item on the bank reconciliation. While cash and investments overall remained the same, this entry served to overstate investments and understate cash at year-end.

We also looked at the October 31, 2007 reconciliation and the July 31, 2008 reconciliation which were not prepared and reviewed on a timely basis. The District is not in compliance with its own internal policies.

### *Management's Response:*

*The following response was provided by Office of Financial Operations and Systems (OFOS) personnel:*

OFOS personnel reconcile approximately 178 investment accounts on a monthly basis. This equates to over 2,100 reconciliation months performed every fiscal year. Our reconciliation procedures include, thoroughly reviewing the activity of these accounts, as recorded in SOAR by agency staff, in comparison to activity reflected on the Investment Bank statements.

As reconciling items are identified, they are presented to the agencies to make the correcting entries. To maintain the proper segregation of duties, OFOS reconciliation staff is not permitted to prepare journal entries for the reconciling items. These reconciling items remain on the reconciliation, from month to month, until the agency has recorded the proper corrections to the account.

Due to the requirements of the Comprehensive Annual Financial Report (CAFR) audit, the preparation of the pooled cash account reconciliations for the months of October to January can be delayed. However, any delays in preparing reconciliations during this period are usually eliminated by the end of February.

During the FY 2008 year-end closing process, as journal entries continued to be made in SOAR, we continued to update our reconciliations. As a result, the reconciliations provided to the auditors on several occasions, reflected the updated status of BID 300 as of that point in time.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

*The following response was provided by Office of Finance and Treasury (OFT) personnel:*

It is important to stress that the finding does not reflect funds being improperly transacted. It reflects issues regarding the posting of journal entries into the accounting system. Safeguards are in place, and were in place throughout FY 2008, to ensure that fund movements are only transacted by authorized and certified officers of the District, with the requirement that multiple persons initiate, authorize, and release such transactions. All transactions were properly executed with the appropriate authorizations.

Having said that, it is important that entries be appropriately posted in the accounting system and that is occurring on a daily basis. During a period of time in the second half of FY 2007 and the first half of FY 2008, an abnormal confluence of employee turnover and the corresponding temporary vacancies in the three positions in the chain of command responsible for this activity in OFT caused a temporary disruption in the execution of the standard journal entry posting process. Management was very focused on ensuring that transactions were properly executed by personnel temporarily assigned to this activity while building a new team to manage and execute these functions. All transactions were properly executed. A new, quality team is now in place and functioning well.

Under its new management, the Cash & Investments Management Unit in OFT has implemented enhanced processes for ensuring that all transactions are journalized appropriately, timely, and accurately on an on-going basis. The Office of Integrity and Oversight has reviewed these processes and determined that they are appropriate and sound.

Moreover, OFT and OFOS have initiated enhanced coordination to ensure that all issues that involve an intersection between the two units are appropriately handled, and that the appropriate steps are taken to ensure that this finding and other findings of this nature do not recur in FY 2009.

### Investment Reconciliation Process (Sampling of BIDs)

Following are other issues noted in our test work:

- 1) The October 31, 2007 reconciliations for BID account 814, 304, 371, 695, and 386 were not prepared and reviewed on a timely basis.
- 2) Significant reconciling items (i.e. unrecorded transactions) were carried forward from month-to-month in several investment accounts. Of the 25 investment account reconciliations reviewed, 17 had significant unrecorded bank transactions.
- 3) Significant reconciling items of erroneous journal entries were carried forward from month to month in several investment accounts. Of the 25 investment account reconciliations reviewed, 14 had significant unresolved erroneous journal entries.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 4) For BID 246, we noted a sweep account of approximately \$3,700,000 that had not been reflected on the District's books.
- 5) We noted an erroneous balance of approximately \$12,000,000 that had been carried in Miscellaneous Agency Funds without any money in the bank(s). This resulted in an overstatement of the account balance as of September 30, 2008.
- 6) We noted approximately \$700,000 that had been posted to BID 625 that should have been recorded as a transaction to BID 802.
- 7) During our review of BID 223, we noted unrecorded bank service charges of \$679,418.

### *Management's Response:*

*The following response was provided by Office of Financial Operations and Systems (OFOS) personnel:*

OFOS personnel reconcile approximately 178 investment accounts on a monthly basis. This equates to over 2,100 reconciliation months performed every fiscal year. Our reconciliation procedures include, thoroughly reviewing the activity of these accounts, as recorded in SOAR by agency staff, in comparison to activity reflected on the Investment Bank statements. As reconciling items are identified, they are presented to the agencies to make the correcting entries. To maintain the proper segregation of duties, OFOS reconciliation staff is not permitted to prepare journal entries for the reconciling items. These reconciling items remain on the reconciliation, from month to month, until the agency has recorded the proper corrections to the account.

Due to the requirements of the Comprehensive Annual Financial Report (CAFR) audit, the preparation of the pooled cash account reconciliations for the months of October to January can be delayed. However, any delays in preparing reconciliations during this period are usually eliminated by the end of February.

*The following response was provided by Office of Finance and Treasury (OFT) personnel:*

It is important to stress that the finding does not reflect funds being improperly transacted. It reflects issues regarding the posting of journal entries into the accounting system. Safeguards are in place, and were in place throughout FY 2008, to ensure that fund movements are only transacted by authorized and certified officers of the District, with the requirement that multiple persons initiate, authorize, and release such transactions. All transactions were properly executed with the appropriate authorizations.

Having said that, it is important that entries be appropriately posted in the accounting system and that is occurring on a daily basis. During a period of time in the second half of FY 2007 and the first half of FY 2008, an abnormal confluence of employee turnover and the corresponding temporary vacancies in the three positions in the chain of command responsible for this activity in OFT caused a temporary disruption in the execution of the standard journal entry posting process.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Management was very focused on ensuring that transactions were properly executed by personnel temporarily assigned to this activity while building a new team to manage and execute these functions. All transactions were properly executed. A new, quality team is now in place and functioning well.

Under its new management, the Cash & Investments Management Unit in OFT has implemented enhanced processes for ensuring that all transactions are journalized appropriately, timely, and accurately on an on-going basis. The Office of Integrity and Oversight has reviewed these processes and determined that they are appropriate and sound.

Moreover, OFT and OFOS have initiated enhanced coordination to ensure that all issues that involve an intersection between the two units are appropriately handled, and that the appropriate steps are taken to ensure that this finding and other findings of this nature do not recur in FY 2009.

### Unclaimed Properties

During the audit, we were provided with a schedule of unclaimed properties as of September 30, 2008.

- 1) In reviewing the detail of the schedule, we noted the balances did not accurately reflect investments on hand at year-end as various balances were based on bank statements from months throughout the fiscal year but had not been updated at year-end.
- 2) As a part of our confirmation procedures of unclaimed properties, we noted 1 instance where the District had improperly recorded the receipt of funds, due to a bank error, in the amount of \$566,836. The bank corrected the error in the following month and escheated the funds; however, the District had not corrected its records. As such, the funds were improperly included on the unclaimed properties schedule at year-end.
- 3) We noted approximately \$8,000,000 that was reflected in SOAR for which no support could be provided. During the audit process, it was determined that it was an overstatement of investments and current year investment income that has since been adjusted.
- 4) During management's research of the unclaimed properties issues noted above, \$13,500,000 of overstated liabilities and understated investment income was identified.

### *Management's Response:*

We agree that the schedule was not sufficient, and we are currently working to resolve issues related to the delay in some of the unclaimed property entities providing us with updated statements within a defined time frame as needed to keep the schedule updated. The Unclaimed Property Unit has contacted and submitted requests to get updated statements from all the counterparties noted on the existing schedule.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

In reference to the second issue noted in the finding, this circumstance resulted from a bank posting error, and represents less than 1% of the Unclaimed Property balance. We have since corrected the schedule and will ensure that it is correct on an on-going basis.

In reference to issues three and four, these issues resulted from a transition in the manner in which unclaimed property funds are reflected in SOAR accounts. These issues did not involve having any funds at risk, but did involve the need to clarify and clean up the manner in which they were reflected and adjusted in SOAR. These issues have been clarified in the FY 2008 audit process, and therefore are resolved.

### Accounting for Guaranteed Investment Contracts

We noted that the District maintains approximately \$126,000,000 in Guaranteed Investment Contracts (GIC). The District is required to comply with a number of specified requirements if it invests in GIC instruments. During our audit process, we noted that the District was not in compliance with the stated requirements as follows:

- 1) Management is responsible for making value measurements and disclosures. From the information initially provided by the District, we were unable to readily determine whether the balance recorded represented the contract value or fair market value of the GICs.
- 2) The District was unable to provide the details of the underlying investments within the GICs.
- 3) Management did not appear to have sufficient information on hand to evaluate and independently challenge the valuation methodologies utilized by the investment manager(s).

Additional research and investigation was required during the audit process to address these issues.

As part of fulfilling its responsibility, management needs have a sufficient understanding in order to be able to establish an accounting and financial reporting process for determining value measurements and disclosures; to select appropriate valuation methods; and to identify and adequately support any significant assumptions used by the fund manager(s) in valuing the underlying investments included in the GICs.

Development and implementation of such procedures will help to ensure the District's investments are accurately recorded and presented.

### *Management's Response:*

As indicated by their name, Guaranteed Investment Contracts (GICs) represent an investment contract guaranteeing a fixed principal investment amount and a fixed interest rate for the life of such contract.

The existence of a guaranteed contract at a stated investment value documented by agreement and by a third-party custodian means that the value of the investment is fixed and is supported by the full credit of the GIC provider.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Both of the GICs that comprise the amount stated above are guaranteed by AAA-rated entities, meaning that they are in the highest possible credit quality category. The value of the GICs is fixed, per the contractual obligation of the companies, and is not subject to change based on market conditions.

The District's investments are supported by the fixed values in the contracts and the provisions that allow for the District to terminate the contract at full value if the credit rating of the provider falls below the AA-level. This provides protection for the District's investment at the full value of the contract.

Management provided copies of the guaranteed contracts, verification of the AAA credit ratings, the most recent audited financial statements of the GIC providers, documentation of the guarantees supporting the contracts, and statements documenting and verifying the value of the investment contracts as of 9/30/08. Moreover, in discussions with the GIC providers, who also provide GICs for many other clients, the GIC providers indicated that the common industry practice is for clients and auditors to value the GICs at the stated value of the guaranteed investment contracts.

Given the backing and guarantee of an AAA entity and verification of the balance of the investment contract, these providers indicated that they had not experienced other clients or auditors seeking to assign a different value to these investments than the stated, guaranteed contract value.

### Wire Transfers

The District's banking systems require separate individuals to input and release/approve wire transfers. Once the wire transfer information has been entered into the appropriate banking system, the original wire transfer request and transaction report are provided to the Cash and Investment Manager for review and release/approval. This review is documented on each wire transfer request and the End of Day Wire Transfer report.

During our procedures, we noted that for 25 out of 45 wire transfers which had been selected for testing, there was no evidence that the End of Day Wire Transfer report had been reviewed and approved.

Management has represented and it was apparent during our procedures that the recent reduction and turnover of staff is putting a strain on the current staff to complete their responsibilities. However, the District should consider a methodical identification and documentation of its significant operational and accounting processes at OFT and identify back-up positions, so that the necessary reviews and existing internal controls are not comprised.

### *Management's Response:*

The original wire transfer request and transaction report are provided to the Cash and Investment Manager for review and release/approval. Therefore, appropriate approvals are required prior to the release of the wires, which is documented. A signature on the End of Day report was previously not a requirement, but was added as an additional control in the 3rd quarter of the audited fiscal year under the new manager of Treasury's Cash Management unit.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Maintenance of the Accounts Database

The District utilizes Bank Account ID numbers to track the activity of each bank account within its accounting system of record (SOAR). With a few exceptions, typically a District bank account is assigned to a Bank Account ID (BID). It is the responsibility of OFT to maintain an accurate inventory of the District's bank accounts.

Management should recognize that retaining unnecessary accounts in the general ledger and chart of accounts, especially accounts that are similar to others, can lead to confusion and inaccuracy in posting transactions or creating journal entries. Also, undue time must be spent reconciling these small accounts. We recommend that the general ledger and chart of accounts be periodically reviewed and that unused or unnecessary accounts be eliminated.

We also recommend that management periodically review the functions of all bank accounts to determine whether they are necessary. Only the minimum number of bank accounts consistent with operating requirements should be established.

Numerous bank accounts result in complexity and inefficient administration. Time needed to record accounting transactions could be reduced if the District considered eliminating or combining bank accounts when possible. This can also result in improved internal controls and simplification of reconciliation procedures.

### *Cash Bank Accounts*

During our audit procedures, we noted numerous inaccuracies, as follows, in the information maintained by OFT regarding each bank account:

- 1) Incorrect account numbers.
- 2) Correct account number but incorrect bank.
- 3) Incomplete and inaccurate list of authorized account signers.
- 4) Incorrect Bank Account ID (BID) number assigned to the account.
- 5) No Bank Account ID (BID) number assigned to the account.
- 6) Accounts that had been closed for several years were reflected as active. Likewise, for 1 Bank ID which had been selected for testing, we noted that a bank account that was still open at the financial institution had been reflected as closed within the District's SOAR system.
- 7) Accounts that were not registered under the District's Tax ID number.
- 8) Employees no longer with OFT still had signatory authority to the respective bank accounts for 2 BIDs.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### *Investment Bank Accounts*

During our testing of the bank account database, we noted the following:

- 9) The database does not clearly distinguish investment accounts (which represent investments within a custodial account) from bank accounts (which are depository, disbursement, and custodial accounts).
- 10) In numerous instances, investments had since been sold, resulting in needless maintenance and tracking of accounts with zero balances.
- 11) In other instances, new investments purchased had not been established as investment accounts and reflected in the database.
- 12) Employees no longer with OFT still had signatory authority to the respective bank accounts for 2 BIDs.

### *Management's Response:*

#### *Cash Bank Accounts:*

Management concurs with the finding that various items in the bank account database need to be cleaned up in order to make this database listing perfect, as it should be. This is a dynamic and not static endeavor, as there is an on-going changes and adjustments needed to such a database, and we are committed to making sure this happens on an on-going basis. For the vast majority of the database listings, representing the District's primary accounts, all of the information in the database is as it should be. There was some clean-up work needed regarding some of the smaller, more ancillary items in the listing.

To specifically address the issues listed above:

*Incorrect account numbers.* Three account numbers in the extensive listing were incorrect due to apparent keypunch errors.

*Correct account number but incorrect bank.* This resulted from the acquisition of one bank by another, and the name of the bank had not been changed in the listing to accommodate the acquisition.

*Incomplete and inaccurate list of authorized account signers.* The vast majority of these listings were accurate, but there was a need to update some of them. In recent years, the District has communicated changes in authorized signers to the banks electronically, and gotten confirmation of the bank's acceptance of the changes electronically as well, in order to expedite the process. In some cases, the hard copies of the signature cards were not correspondingly updated for the file. Going forward, we will ensure both electronic and hard copy listings are completely up to date.

*Incorrect Bank Account ID (BID) number assigned to the account.* We are not aware of this circumstance.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

*No Bank Account ID number assigned to the account.* This finding relates to accounts associated with an economic development project with a developer that have been determined to not be District accounts. The District does a periodic bank account survey with all banks to determine the existence of any accounts under the District's name or tax ID number that had not been previously identified, and with the results of such survey, the District takes appropriate action regarding those accounts.

*Accounts that had been closed for several years were reflected as active.* The few accounts associated with this finding were updated in the database to reflect their current status. Further, management adheres to the policies and procedures associated with this finding and seeks to ensure that all agencies comply. Management will continue to be proactive to seek to ensure that there are no recurrences of the instance indicated in the finding with respect to an account open at the financial institution but reflected as closed within the District's SOAR system.

*Accounts that were not registered under the District's Tax ID number.* A couple of ancillary quasi-independent agency accounts were established with a separate tax ID number. When such a circumstance occurs, the matter is reviewed and action is taken to convert such accounts as appropriate.

*Employees no longer with OFT still had signatory authority.* Given the increase in electronic communication as an immediate and efficient communication tool, signatory changes were communicated to and accepted by the respective financial institutions via email. As such, the departed employees did not have access to the respective bank accounts, even though in the indicated cases, the hard copy of the signature cards did not reflect the change. Going forward, a copy of the updated signature card will be placed in both the respective bank account folder and the employee's folder.

### *Investment Bank Accounts:*

We take these matters seriously and are committed to addressing the deficiencies that were noted and making the database perfect. The primary purpose of the bank account database is to track bank accounts and bank IDs, and that purpose is being accomplished by the database. Investment accounts are tracked, monitored, and documented separately by the Cash & Investment Management Unit, and daily movements of investment funds are managed, documented, and updated by this unit. Management agrees with the recommendation that the inclusion of investment accounts and bank accounts in the same database is not ideal, and that separating them in the database would be better and clearer, and this will be done in FY 2009. As previously mentioned, the investments are already tracked and documented separately.

### Elimination of Unnecessary Accounts

We noted that for some accounts, the SOAR balance is made up of outstanding and stale checks and other amounts which should be removed and cleared out. The balance of these accounts amounted to approximately \$5,408,000 as of September 30, 2008. While deemed insignificant to the overall operations of the District, this has the effect of understating cash and investments.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

For other accounts, we noted that the SOAR balance is made up of current year activity that has been posted to these accounts as a result of erroneous posting journal entries or as a result of inadequate communication to the agencies that the account status is closed.

### *Management's Response:*

*The following response was provided by Office of Financial Operations and Systems (OFOS) personnel:*

The District has a scheduled quarterly process that reviews the BID listing for closed accounts with balances in SOAR. Action has been taken to clear up balances on closed accounts. In FY 2009, the District will continue to use this process to clear up any such balances from the general ledger.

Cash accounts in SOAR are flagged with either with an A (Active) status or an I (Inactive) status. The District has been successful in minimizing any keying errors by ensuring that these flags are properly set. The District will continue to be diligent in its use of this system control.

*The following response was provided by Office of Finance and Treasury (OFT) personnel:*

OFT and OFOS have initiated enhanced coordination to ensure that all issues that involve an intersection between the two offices are appropriately handled and that the appropriate steps are taken to ensure that this finding and other findings of this nature do not recur in FY 2009. Specifically, with regard to this finding, we will ensure that there is complete agreement on every item regarding the maintenance of respective account listings between OFT and OFOS.

### Communication of Account Information

During our procedures in reviewing where each bank account in the database is reflected in SOAR, we noted the following:

- 1) The confirmed bank balances did not agree with the bank balances listed in the schedule of pooled cash, investments, and agency cash as provided by the Office of Financial Operations and Systems (OFOS). Upon further investigation, it was noted that in most instances, the correct bank balance had been utilized by OFOS in preparing the bank reconciliations, but had not been properly input into the schedule provided.
- 2) Several District accounts were identified for which neither OFOS nor OFT could account for. While deemed insignificant to the District, we also noted bank accounts for which the District was unable to identify whether they had been presented in the CAFR.
- 3) For a few accounts, OFT and OFOS could not agree on which bank accounts were associated with which SOAR accounts. After significant research, most instances were identified as inaccuracies in the bank account database; however, in one instance, it was noted that a non-District bank account had been utilized in the reconciliation process.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### *Management's Response:*

*The following response was provided by Office of Financial Operations and Systems (OFOS) personnel:*

OFOS shall improve the communication of bank ending balances between OFOS and the agencies. OFOS will use a bank to book variance report to track the variances. A key element of the report is the fiscal month end balances as reported on bank statements. OFOS will be soliciting this information monthly from the agencies during FY 2009.

In all cases, the errors were corrected by OFOS when pointed out during the audit process. OFOS is not aware of the accounts mentioned in issue #2. Issue #3 pertains to the Storm Water Permit Compliance Fund bank account accounted for in agency KGO, fund 654 and BID 269. There are two bank accounts accounted for in KGO 0071 (agency controlled cash). One account is administered by the District Department of Environment and the other is administered by the Water and Sewer Authority (WASA). Although the WASA administered account is in its name, the funds in both accounts belong to the District and are properly accounted for in agency KGO, fund 0654 and BID 269.

*The following response was provided by Office of Finance and Treasury (OFT) personnel:*

OFT and OFOS have initiated enhanced coordination to ensure that all issues that involve an intersection between the two offices are appropriately handled and that the appropriate steps are taken to ensure that this finding and other findings of this nature do not recur in FY 2009. Specifically, with regard to this finding, we will ensure that there is complete agreement on every item regarding the maintenance of respective account listings between OFT and OFOS.

### Activity Recorded to Closed Accounts

We noted journal entries that had been posted to BID accounts where the related bank accounts had been closed in previous years. Since these accounts had been closed, current year activity recorded in these BIDs represented activity intended for other accounts, thus resulting in the opportunity for incomplete and inaccurate bank reconciliations.

Current procedures do not require research and resolution of all SOAR balances for closed bank accounts. This activity was reallocated to the proper BID accounts for accurate presentation on the September 30, 2008 CAFR.

### *Management's Response:*

*The following response was provided by Office of Financial Operations and Systems (OFOS) personnel:*

We will expand our monthly review to include balances reflected in closed accounts.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

*The following response was provided by Office of Finance and Treasury (OFT) personnel:*

We recognize that there was activity in SOAR for some bank accounts that were closed. This activity represented efforts to clear and clean up any outstanding reconciling items in these accounts in SOAR in order for the account balance to be stated appropriately in SOAR. Given that the actual bank account was closed, there was no possibility to actually move cash, so this activity was accounting clean-up activity.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### 2008-02 Management of the Medicaid Program

#### Medicaid Program is Classified as an Area of Risk

In its FY 2008 *Report on the Activities of the Office of the Inspector General* (OIG) dated December 1, 2008, the OIG identified the Medicaid Program as one of the 6 areas of risk for the District of Columbia. The Medicaid Program had also been identified as a risk area in the previous years' OIG reports. The current assessment says that the impact of potential losses to the District is significant. The 2009 plan is to continue OIG's vigorous oversight of the Medicaid Program, focusing on areas such as third party liability, nursing home reimbursements, Medicaid recordkeeping and documentation, Medicaid funded durable medical equipment, and other related issues. Following are the summarized results of two recent audits performed by the OIG:

#### Audit #1- Audit of the Department of Mental Health (DMH)'s Program Management and Administration of Provider Reimbursements issued on December 11, 2007.

OIG's audit found that a process for reworking and resubmitting denied Medicaid claims is nonexistent. Denied Medicaid claims have not been reworked and resubmitted since the eCura system was brought to DMH in FY 2001. Based on estimates provided to OIG by DMH personnel, the value of denied claims is approximated at \$30.1 million. This figure represents denied Medicaid claims since November 2002.

The audit also found that DMH's main information system application software for managing its business objectives needs improvement or replacement because of significant weaknesses regarding reliability, integrity of information reported, and the effectiveness of provider claims processing. This includes the claims processing function that interfaces with the Medical Assistance Administration (MAA) fiscal intermediary, Affiliated Computer Services (ACS). The information system currently in place does not produce timely and reliable monthly reports that summarize program statistics and accountability as to projected performance measures.

The Chief Procurement Officer (CPO) had to ratify \$16.1 million in unauthorized DMH commitments in FY 2005 and again in FY 2007. The FY 2006 ratifications were the result of Mental Health Rehabilitative Services (MHRS) providers exceeding task order values with DMH, while the FY 2007 ratifications were the result of DMH's failure to have signed and approved provider agreements in place before provider's submitted claims for payment. The unauthorized commitments resulted from DMH's failure to implement information systems application controls necessary to reduce vendors' risk of exceeding DMH task order limits, which may have violated the District's Anti-Deficiency Act. Additionally, DMH management does not have properly trained and assigned Contracting Officers' Technical Representatives (COTRs) to provide oversight for services provided and claims submitted to DMH for payment.

The Memorandum of Understanding (MOU) between DMH and MAA should be renegotiated so that MAA, the state Medicaid agency, assumes the role of payer of first resort for provider of Medicaid claims. In the current process, DMH pays the provider first and then seeks 70 percent reimbursement (federal portion) from MAA. Thus, DMH uses 100 percent of its local dollars to pay providers and then attempts to recover the 70 percent. This approach has not been effective or efficient.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Further, internal controls surrounding validation of provider claims need significant improvement. DMH has a documented policy that requires periodic audits of MHRS providers. However, during FY 2006, DMH was unable to provide documentation supporting any audits performed during FY 2006 or FY 2007.

Lastly, DMH has an excessive number of Human Care Agreements (HCA) with providers which has contributed to DMH's inability to effectively manage MHRS dollars amongst the number of providers seeking business with DMH. DMH's current utilization of 51 service providers appears to be excessive given that 18 providers receive 92 percent of DMH's \$40.8 million budget for MHRS services. The current number of providers places a strain on DMH personnel assigned to work with the providers to insure adequacy of services for consumers, as well as resolve billing, payment, and provider training issues. OIG noted that for FY 2006, two MHRS providers received as little as \$4,000, while another five received less than \$100,000 each.

### *Management's Response:*

*Issue #1:* Prior to September 2006, DMH did not have an adequate process in place to actively reprocess Medicaid claims from prior years that the Department of Health Care Finance (DHCF) (formerly the Medical Assistance Administration) had denied and that a sizable "Accounts Receivables" (A/R) had accumulated. Since that time, DMH took several actions to manage this process including:

- Contracting with an outside vendor to identify, quantify, prioritize, correct and resubmit claims denied for Medicaid eligible services provided;
- Contracting with an outside vendor to provide program management consultant services to develop a work plan for staff to use to guide this process and assist in establishing repeatable processes for program administration; and,
- Contracting with a consultant dedicated solely to managing the MHRS program, including working with DMH staff to develop management reports.

These steps yielded a significant return on the A/R effort and resulted in better management of the MHRS program. Due to the success of these efforts, DMH closed out its outstanding receivables balances for FY 2005 and FY 2006 and \$11,600,000 million was collected. DMH continues to correct and resubmit claims to close out the FY 2007 accounts receivable.

In addition, DMH has enhanced its reporting capacity so that the agency has a series of management reports that track payments for services from both Medicaid and local funds. The edits in the claims payment system are also closely aligned with those in the ACS system, and the DMH claims system has been enhanced to accept and report on the HIPAA compliant 835 remittance advices generated from the ACS system so that denied claims can be reworked.

*Issue #2:* DMH has initiated the following corrective actions:

- The service authorization process that was discontinued in 2003 was reinstated in November 2005.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- A permanent Director of Contracts and Procurement was hired in January 2007 that is certified as a Public Procurement Officer (CPPO) and Public Purchasing Buyer (CPPB).
- DMH engaged an independent consultant to perform a complete assessment of the DMH contracts office and to assist in the preparation of policies and procedures.
- Required all Contract Officer Technical Representatives (COTRs) who had not been trained to attend training. As of this time, 95% of staff overseeing contracts have been trained and are now properly appointed as COTRs.
- Implementation of Purchasing Cards for agency small purchases.
- Worked with the District's Office of Contracts and Procurement to close out all ratifications; this process was completed in November 2008.

*Issue #3:* The transition of the claims payment function to DHCF for Medicaid eligible services became effective for services delivered November 1, 2007 forward. This process has moved the responsibility of managing claims denials and resubmissions appropriately to the MHRS providers. The Memorandum of Understanding with DHCF was amended to reflect the process accordingly. With respect to periodic audits of providers, DMH has initiated the following corrective actions:

- DMH hired a Deputy Director for Accountability in December 2006.
- In the spring of 2007, the Office of Accountability (OA) re-started the claims audit process by adopting a new, statistically valid methodology and a more precise audit tool. Both the statistical methodology and the audit tool reflect Medicaid's clinical documentation and medical necessity requirements for reimbursement.
- DMH is working in conjunction with DHCF to initiate audit recoupment where warranted. Provider audits are currently being performed on claims relating to the 2nd quarter of FY 2008.

*Issue #4:* While the OIG report recommended that DMH reduce the number of providers, it is the prerogative of the agency to assess the services delivered and whether the number of providers is appropriate. It should also be noted that while a provider can be MHRS certified, the DMH Office of Programs and Policy makes the final decision on what providers are funded under the program. DMH is currently working on the details of a major restructuring of the service delivery system which will include closing the majority of services at the publicly operated DCCSA and move those consumers to the care of the private providers. Therefore, it is important that adequate capacity be available in the system in order accommodate this transition.

### Audit #2 - Audit of Non-Emergency Transportation Provider Compliance with License and Certification Requirements issued on February 22, 2008.

DOH Medical Assistance Administration, Office of Program Operations (MAA-OPO) officials did not effectively manage the Non-Emergency Transportation (NET) Program. Specifically, officials did not adequately determine whether all Providers: (1) were authorized to provide motor vehicle carrier services; (2) complied with federal safety regulations; (3) hired reputable, responsible drivers before receiving approval to participate in the NET Program; and (4) clearly marked vehicles with identifying information.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

As a result, the safety and well-being of NET Program participants was jeopardized, which increases the District's liability.

Specifically, the OIG audit uncovered the following deficiencies in the NET Program:

- Improper payments – The District paid \$112,000 to 5 of 21 providers (24 percent) that were unauthorized motor vehicle carriers.
- Federal Safety Regulations – It was determined that 5 of 50 providers (10 percent) did not comply with federal safety regulations to perform annual safety inspections.
- Criminal History Checks - Of 50 providers reviewed for compliance with criminal history checks, 29 (58 percent) did not perform criminal history checks on 60 of 91 drivers (66 percent).
- Drug Tests – The review showed that 28 of 50 providers (56 percent) did not perform drug testing for 55 of 91 drivers (60 percent).
- Driver Record Check - Of the 50 providers reviewed for driver record checks, 43 providers (86 percent) did not check drivers' records for 78 of 91 drivers (86 percent), and 18 providers (36 percent) could not provide copies of employees' driver licenses. Also, a review of drivers' records revealed that 5 drivers were operating with license restrictions. 4 of the 5 drivers were restricted from operating vehicles for compensation and were required to be accompanied by an authorized driver. In addition, it was found that none of the 91 drivers had the required commercial driver's licenses.
- CPR Certification – 22 of the 50 providers (44 percent) did not ensure that 42 of 91 drivers (46 percent) obtained the CPR certifications required by the Medicaid Provider Agreement.
- First Aid Certification - Of the 50 providers reviewed for first aid certification, 35 (70 percent) did not ensure that 62 of 91 drivers (68 percent) obtained the first aid certifications required by the Medicaid Provider Agreement.
- Vehicle Markings – It was observed that 10 of 70 vans (14 percent) that did not include each provider's legal name and Certificate of Authority number.

### *Management's Response:*

On July 19, 2007, the Department of Health Care Finance (DHCF) (formerly the Medical Assistance Administration) contracted with a non-emergency transportation (NET) broker (the Broker). The following issues raised by the OIG have been remedied in FY 2008 when the new NET Broker system began transporting recipients on October 19, 2007.

*Issue #1:* Officials did not adequately determine whether all providers were authorized to provide motor vehicle carrier services.

Since October 2008, every provider vehicle registered with the Broker must pass this inspection and any deficiencies identified upon initial inspection must be corrected before formal acceptance in the transportation network. In addition, all drivers are required to provide proof of a valid commercial driver's license and a copy is placed in the provider's file. The requirement to have a valid commercial driver's license is needed prior to enrollment with the Broker's network.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

If a transportation provider changes or adds drivers to their company, those drivers are required to have a federal background check and have their license information validated by the Broker before being allowed to operate a vehicle for Medicaid recipients. This information is verified annually.

*Issue #2:* Officials did not adequately determine whether all providers complied with federal safety regulations.

Since October 2008, all providers are subject to an annual inspection to ensure compliance. Since the release of the OIG report, the NET Broker has begun performing inspections bi-annually. In addition, the NET Broker has increased compliance with the American with Disabilities Act by training a staff member to become a certified ADA inspector in June 2008. This provides an additional level of expertise with regards to vehicle inspections and further protects the well being of the Medicaid recipients that utilize NET services.

*Issue #3:* Officials did not adequately determine whether all providers hired reputable, responsible drivers before receiving approval to participate in the NET Program.

In response to the OIG Report recommendations, the NET Broker system has increased requirements related to provider and driver enrollment. For example:

- Upon initial enrollment into the NET provider network, a complete review of all drivers and vehicles is conducted by the Broker.
- All drivers registered with the Broker's network are required to undergo a FBI background check prior to formal acceptance into the program. A copy of the background check is placed in the provider's file.
- All drivers are subject to an initial drug screening before they are granted permission to transport Medicaid clients. In addition, the Broker conducts quarterly-random drug screenings in order to ensure compliance. If a driver tests positive, he/she is immediately removed from the MTM provider network.
- Any complaints logged against drivers for reasons of bad conduct are documented. Such complaints are discussed with the driver and the driver is required to submit an incident report describing his/her recollection of the incident. If it is determined that the driver acted inappropriately, the driver is placed on corrective action or disciplinary citation. Both the incident and the corrective action plan are maintained in the provider file.
- The Broker conducts a monthly desk audit of 10% of all files to ensure accuracy and completeness. Reports of the outcome of these desk audits are kept and are available to the COTR upon request. In addition, the Broker program will be audited at the end of every contract year.
- The Broker coordinates with WMATC when the operating status of a Provider is suspended, revoked, or terminated. Upon any change in status, WMATC notifies the Broker via email that a certification has expired. The Broker places the provider on suspension and transfers any scheduled trips to other transportation providers. Upon verification that certification is again in good standing, the Broker removes the provider from a suspended status.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- The Broker conducts regular training with drivers to review policies, proper conduct, and ensure current certifications. The Broker's Education, Training, and Outreach (ETO) Manager convenes mandatory training for the drivers and provider staff within the provider network. The mandatory courses include: First Aid, CPR, Defensive Driving, and Wheelchair Safety and Securement.
- Additional training is conducted on the Department of Disability Services (DDS), Developmental Disabilities Administration (DDA) core policies. The core policies include: psychotropic medications, positive behavioral support plan (BSP), individual support plan (ISP), adaptive equipment, basic assurances, most integrated community settings, human rights, and incident management.

*Issue #4:* Officials did not adequately determine whether all providers clearly marked vehicles with identifying information.

As part of the provider enrollment process, a review of potential transportation providers includes the verification and validation of WMATC certification. A provider must show proof of WMATC certification prior to formal enrollment with the Broker and evidence of certification is placed within the provider's file. Prior to the issuance of the OIG report, the need for a WMATC decal on the vehicle was not part of the Broker's checklist. As a result of the report, the Broker has updated its checklist to include this as a requirement. A copy of this checklist is placed in the provider's file.

Lastly, with the use of the Broker, DHCF can now capture accurate and reliable data surrounding the NET program. Having this data at our disposal allows DHCF to make better decisions and produce more targeted approaches to improving the NET program. DHCF has worked diligently to improve the non-emergency transportation program and continues to do so. The implementation of the Broker is an enormous step towards ensuring the quality and integrity of the NET program. However, DHCF understands that migrating towards the Broker model is not the sole solution but a good first step. DHCF will continue to work with the Broker, consumer advocates, and sister agencies to identify and develop ways to better serve our clients while maintaining a fiscally sound NET program.

### 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 Medical Assistance Administration (MAA), part of the District's Department of Health, 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.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

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 MAA 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 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	None noted	No available cost report for audit.
2. CFSA	Up to FY 2005	FY 2006	Audit has not yet started.
3. DMH	Up to FY 2006	None noted	No available cost report for audit.

We recommend District agencies improve the claims submission process and submit cost reports to MAA on time and improve communication and better coordinate the submission of claims by agencies in a form that is acceptable to MAA. We also recommend that cost report audits be done on 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.

### ***Management's Response:***

*The following response was provided by the District of Columbia Public Schools (DCPS):*

Field work for audits of FY 2003-2006 has been completed and notices of program reimbursement were issued January 9, 2009. By September 30, 2009 cost audit reports for FY 2007 will be complete and cost audit reports for FY 2008 will be in process.

*The following response was provided by the Child and Family Services Agency (CFSA):*

Field work for audits of FY 2004 and 2005 has been completed and notices of program reimbursement were issued January 5, 2009. By September 30, 2009 cost audit reports for FY 2006 and FY 2007 will be complete and cost audit reports for FY 2008 will be in process.

*The following response was provided by the Department of Mental Health (DMH):*

Field work for FY 2005 and 2006 was completed in FY 2008 and final notices of program reimbursement were issued November 19, 2008. Cost audit reports for FY 2007 and FY 2008 will be completed by September 30, 2009. As a September 30th year-end provider, St. Elizabeth's' FY 2008 cost report is due Feb. 27, 2009.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Potential Claims Disallowance and Accounts Receivable Write-offs

In connection with the cost report audits mentioned previously, the audited cost reports pertaining to Child and Family Services Agency (CFSA) for FY 2004 and FY 2005 and pertaining to the District of Columbia Public Schools (DCPS) from FY 2003 to FY 2006 reported that both CFSA and DCPS owe back to the Federal government in the amount of \$37,672,880 and \$24,529,979, respectively for potential Medicaid claims disallowances. These potential disallowances were recorded as accrued liabilities at year-end.

We noted that CFSA and DCPS had been very aggressive in claiming Medicaid reimbursements from FY 2003 to 2006. 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 these potential disallowances from the previous years, a portion of the Medicaid claims from FY 2006 to FY 2008 and some remaining Medicaid accounts receivable are also subject to disallowance. As a result, management estimated additional potential disallowances and reflected these as accrued liabilities in the accounting records at year-end in the amount of \$45,616,572 and \$9,024,762 for CFSA and DCPS, respectively. In addition, Medicaid accounts receivable for CFSA amounting to \$42,872,825 were also adjusted during FY 2008.

CFSA and DCPS should improve their claims documentation in order to minimize potential disallowances in future years. In addition, they 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:*

After the release of the 2007 Comprehensive Annual Financial Report (CAFR) highlighting inadequate billing practices as a material weakness for the District, the Administration made a commitment to conduct and pursue comprehensive audits from past fiscal years to determine and correct years of billing mismanagement. As a result, the Department of Health Care Finance (DHCF) (formerly the Medical Assistance Administration) conducted an audit of FY 2004 and 2005 for the Child and Family Services Agency (CFSA) and FY 2003 through 2006 for the District of Columbia Public Schools (DCPS). Based upon the audited cost reports, the potential disallowances are primarily the result of:

- Poor or nonexistent documentation of services provided;
- Improper billing to the Medicaid program when other sources of funding were available; and
- Duplication of billing.

CFSA has established a monthly internal audit process to investigate Medicaid claims and has instituted strict requirements for any claims identified as lacking sufficient documentation. DCPS is ensuring better documentation of services provided through utilizing a new electronic data system and archiving key documents, in addition to changing the billing structure associated with the liabilities named above. DHCF is coordinating efforts to reform the District's Medicaid billing practice to significantly reduce the risk of future liabilities related to the Medicaid Program. Led by the Public Provider Liaison Unit, progress at DHCF includes:

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- Establishing a more active role in the Medicaid audit contract process;
- Reviewing current claims and developing corrective actions steps for agencies;
- Developing guidance and training sessions for agencies on adhering to Federal and District requirements; and
- Working with DCPS and CFSA on alternative health care delivery system options to minimize potential disallowance risk in the future. For example, DHCF will implement a CMS-approved cost-allocation report for DCPS. In addition, DHCF is working with CFSA to shift the risk to the provider instead of CFSA by having them bill DHCF directly.

DHCF has partnered with The George Washington University Medical Center to produce a comprehensive analysis report on Medicaid claims processes. This effort will guide DHCF in the development of an Administrative Services Organization (ASO) to streamline Medicaid billing. The report was released on November 21, 2008 and has informed the development of a request for proposal for an ASO. This draft Request for Proposal (RFP) has been completed with a projected award in summer of 2009.

DHCF is also actively analyzing options for negotiations with CMS regarding the total audit liability as well as its legal options in response to potentially improper advice regarding Medicaid revenue maximization.

### 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:

- 1) 3 participant files could not be located and thus were not provided for testing.
- 2) 6 participant files did not have signed application forms.
- 3) 4 participant files did not have a verification of the applicant's income.
- 4) 4 participant files did not have complete and signed citizenship declaration forms.
- 5) 2 participant files did not show that the social security number (SSN) was furnished or was verified.
- 6) 2 participant files were not closed in the system when the applicant failed to recertify.
- 7) 5 participant files did not have evidence of supervisor review and approval for eligibility determination decision.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

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 Income Maintenance Administration (IMA) is modernizing its entire business process. IMA has just completed the first phase of that process. In the first phase, the paper files at each of the respective service centers was migrated from a numerical filing system, based on the customer's address, to an alphabetical filing system, based on the head-of-household's name.

The Centers also moved to a case-banking system – away from an individual caseload. The high worker turnover among SSRs meant that cases were often floating between workers, and at times left incomplete. With case banking, a worker only touches the case to update it, and then returns to a controlled central file at each respective center.

These two changes lay the foundation for moving to a fully automated system. IMA is presently preparing the paper case files to be scanned, and stored in an automated filing system and linked to the case record. This will eliminate lost or missing files, and also enable workers to easily identify documents, which may be needed to complete the file or application. The physical scanning of records should begin this spring, and once complete, no paper records will be maintained.

Following the scanning of the case files, IMA is developing an automated application and recertification process. The automated application and recertification process will have system triggers, which will force both workers, as well as customers to complete certain fields (such as applicant signature) before a final determination of benefits is rendered. The system will also have triggers which, insure that administrative functions – such as supervisory approval and the closing of cases, are further automated into the system, thus eliminating the potential for worker error.

### Medicaid Management Information System (MMIS)

MMIS is a system that processes provider claims. On an annual basis, the Medical Assistance Administration (MAA) engages an independent accounting firm to review the controls placed in operation and tests of operating effectiveness on the MMIS system which is administered by a third party contractor. A review was performed for the year ended September 30, 2008 and it was noted that the following control objectives were not achieved:

- Controls provide reasonable assurance that both physical and logical access to computing resources is restricted to authorized individuals.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- Controls provide reasonable assurance that modifications to application software are authorized, tested, approved, and implemented.
- Controls provide reasonable assurance that incompatible functions and duties are segregated within the organization.
- Controls provide reasonable assurance that the agency has the ability to recover from a business continuity event.

Considering the significant number of transactions and the significant dollar amounts being processed through the MMIS system, it is very important that all control objectives are met. Not having these controls in place could jeopardize the accuracy and completeness of provider claims processed which could affect the District's financial results. We recommend MAA either conduct follow-up with the third party administrator of MMIS or consider other alternatives to ensure that the above control objectives are achieved in FY 2009.

### *Management's Response:*

*Issue #1:* Controls provide reasonable assurance that both physical and logical access to computing resources is restricted to authorized individuals.

In FY 2007, it was noted that 11 individuals with card key access did not have business justification for their access. When the original report was run, it included all cards Active and Inactive. So the report showed users whose accounts were inactive and cards were inactive (therefore no access granted by the card); once this was pointed out the IT staff deleted the Inactive accounts removing the cards from the system and re-ran the report showing only active cards.

The new policies include our fiscal agency, ACS, granting physical and logical access to individuals based on the manager's completion of new user forms. These forms grant the logical access to the network as required by the employee to fulfill his/her job. Once the employee starts working onsite, he/she signs a form and receives a physical access badge which grants him/her access to the facility. When an employee is severed from the company, a separation form is completed for that user and all rights are terminated to both the building and the network.

*Issue #2:* Controls provide reasonable assurance that modifications to application software are authorized, tested, approved, and implemented.

In FY 2007 there were concerns raised about the controls related to modifications to the application software. Internal and external modifications to the software are initiated by a Customer Service Request (CSR). A weekly CSR meeting is held with representatives from the District and ACS to review all CSRs - both internal and external. A SOX (Sarbanes-Oxley) form is provided for District approval and a closure letter is sent after implementation. In FY 2009, the District also implemented a rule that modifications must go through three checks post implementation before the closure letter is sent for sign off. There are five people at ACS authorized to move software modifications into production following previously established procedures.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

*Issue #3:* Controls provide reasonable assurance that incompatible functions and duties are segregated within the organization.

In FY 2008, it was noted that a user's access must be updated if they are working on a special project that would give him/her access to data that should otherwise be segregated. Procedures are in place to ensure that system functions were segregated so that users are not given system access that could allow a user to comprise the District's claims payment. Users are given update or inquiry access to different functions in the MMIS system. A user with update access to claims processing is limited to inquiry only access to provider and recipient data. The reverse applies as well.

*Issue #4:* Controls provide reasonable assurance that the organization has the ability to recover from a business continuity event.

ACS has a business continuity and disaster recovery plan to ensure that the organization could recover within an acceptable timeframe should there be a business continuity event. The plan is available for the review at the ACS office.

- The ACS corporate recovery service is notified if there is an emergency event for the District Medicaid system. This initiates the launch of the business continuity plan.
- The District Medicaid system is located in our Pittsburgh data center and this data center has its own Data Recovery Plan. This plan is tested annually.
- The systems staff currently maintains the capability to operate the system from their home offices.
- ACS maintains a Disaster Recovery contract with SunGard in Herndon, Virginia should there be a need to house staff outside the district for a local failure.
- The BCCP plan calls for ACS to continue to provide call center and claims processing services by leveraging the sister- Medicaid account in Georgia if and when they would need to establish our call center and other capabilities in Atlanta. This ACS account has connectivity to the Pittsburgh data center and similar call center and claims processing functionality to the District.
- The Prescription Benefit Management (PBM) system operates from the Pittsburgh data center and would remain operational should there be a local failure.
- The pharmacy call centers would leverage the Henderson, North Carolina call center to respond to emergency prescription supplies and prior authorizations and currently has this capability for District Medicaid beneficiaries.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### 2008-03 Compensation

During FY 2008, the District implemented a new PeopleSoft Payroll System. The PeopleSoft system replaced the previous Unified Personnel Payroll System (UPPS) used by the District. UPPS 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.

#### Lack of Segregation of Duties within PeopleSoft

One of the basic elements of internal control is separation of duties. Separating certain duties improves internal controls and reduces the possibility of errors and irregularities. Without proper controls over payroll transactions, there is an increased risk that unauthorized transactions may be processed. We recommend that management review users with excessive access to determine if their access is appropriately restricted to only those functions that are necessary to perform their duties.

We obtained a data extract from the Production environment at the end of FY 2008 for purposes of evaluating the segregation of duties and user access review as they relate to PeopleSoft HRMS applications (modules).

The following are potential segregation of duties issues noted in our test work. Included within the information below are all PeopleSoft users with either update or inquiry access based on electronic IDs.

Conflicting Roles	Implication	# of Users
Add Non-Employee vs. Global Payroll	Users have the ability to update non-employee and his/her own personal information and define global payroll rules, maintain global payroll data, and manage the global payroll process.	35

*The following response was provided by Office of Pay and Retirement Systems (OPRS) and Office of Chief Technology Officer (OCTO) personnel:*

The District does not use the Global Payroll Process, although it is a delivered PeopleSoft product. The District uses the North American Payroll, USF. The actual # of users is 3.

Conflicting Roles	Implication	# of Users
Maintain Personal Data vs. Global Payroll	Users have the ability to update non-employee and his/her own personal information and define global payroll rules, maintain global payroll data, and manage the global payroll process.	35

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

*The following response was provided by Office of Pay and Retirement Systems (OPRS) and Office of Chief Technology Officer (OCTO) personnel:*

The District does not use the Global Payroll Process, although it is a delivered PeopleSoft product. The District uses the North American Payroll, USF. The actual # of users is 3.

Conflicting Roles	Implication	# of Users
Calculate Employee Absences vs. Review Payroll Data	Users have the ability to modify vacation/leave time and update payroll data.	88

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

Only OPRS employees can update payroll data. IT support staff may have this access in order to provide support.

Conflicting Roles	Implication	# of Users
Calculate Payroll Process vs. Banking Process	Users have the ability to review and approve salary calculations and prepare the employee payment details for submission to the bank.	34

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

Various District of Columbia Human Resources (DCHR) departments have the ability to approve salary changes. OPRS and the Office of Finance and Treasury (OFT), with IT support submits pay check information to banking, along with the requisite funding documents to support the District's payroll.

Conflicting Roles	Implication	# of Users
Calculate Payroll Process vs. Update Employee Earnings Deductions	Users have the ability to review and approve salary calculations and also update employee earnings-deductions.	34

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS has the ability to run the payroll process for payment of time submitted through time and labor. OPRS also can update/change some general deductions, such as Union Dues, Savings Bonds, Parking Fees, etc. Employees can also make changes through Employee Self Service (ESS).

Conflicting Roles	Implication	# of Users
Compensation Administrator vs. Global Payroll Administrator	Users have the ability to define salary plan, define merit increase, maintain budget, change salaries, calculate compensation, etc. and define global payroll rules.	3

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

A limited number of users are responsible for global payroll changes. Only a few high level compensation users in OCTO, DCHR, and OPRS have the ability to define salary plans. There are checks and balances in place in PeopleSoft as all users have specific login identities that will track any actions taken by users including the date the actions were taken, the approval of the action, and the authority to institute the action.

It should be noted that DCHR has not implemented PeopleSoft functionality to define merit increases and to maintain budget.

DCHR will examine the controls in place related to this issue and will take any and all appropriate actions to mitigate risks identified. The global payroll rules are set by OPRS.

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

The District does not use the Global Payroll Process, although it is a delivered PeopleSoft product. The District uses the North American Payroll, USF.

Conflicting Roles	Implication	# of Users
Global Payroll Administrator vs. HR Administrator	Users have the ability to define global payroll rules, maintain global payroll data, manage global payroll process, etc. and create budget, maintain positions, maintain competency data, maintain & update employee personal information, terminate workforce, monitor and update absences, etc.	3

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

The District does not use the Global Payroll Process, although it is a delivered PeopleSoft product. The District uses the North American Payroll, USF.

Conflicting Roles	Implication	# of Users
Recruitment Administrator vs. Global Payroll Administrator	Users have the ability to recruit the workforce and update employee contracts and personal information and to define global payroll rules.	3

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

DCHR staff can initiate, recruit, and hire workforce through the PeopleSoft workflow process. Each action has an approval path that includes initiation of actions by agency staff, approvals by agency fiscal officers, and final approval of action by DCHR agency managers. The PeopleSoft controls prevent DCHR personnel from processing actions unless the actions have been approved by agency fiscal officers in PeopleSoft.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Updates to personal information can be accomplished by employees through employee self-service. Employees are given a range of options through drop down boxes and can only choose those options. DCHR will work with the ASMP team to ensure that effective controls govern the workflow process.

The global payroll rules are set by OPRS, and DCHR plays no role in defining global payroll rules.

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

The District does not use the Global Payroll Process, although it is a delivered PeopleSoft product. The District uses the North American Payroll, USF.

Conflicting Roles	Implication	# of Users
Confirm Pay Process vs. Employee Bank Transfer	Users have the ability to review and approve salary calculations and also to prepare the employee payment details for submission to the bank.	66

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

Users are OPRS and IT support personnel. Some OPRS staff have two user ids for access to the global payroll system and other duties; therefore the number of users could be double counted.

Conflicting Roles	Implication	# of Users
Create Employee Paysheets vs. Confirm Pay Process	Users have the ability to create an employee (and update his or her personal and salary details) and also to calculate payroll amounts.	66

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

All users do not have the ability to create an employee. Some users have the ability to create employee pay sheets, but not employees; pay sheets cannot be created for employees who do not exist in PeopleSoft. Again OPRS and IT support have this access.

Conflicting Roles	Implication	# of Users
Create Employee Paysheets vs. Unconfirm Pay Process	Users have the ability to calculate employee salary and reverse the approval of salary calculations.	66

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS users must have this ability along with IT support.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Conflicting Roles	Implication	# of Users
Update Employee Paysheets vs. Confirm Pay Process	Users have the ability to review and approve salary calculations and update paysheets (i.e. process payroll).	66

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS users must have this ability along with IT support. Only OPRS confirms the pay process to process the pay checks (8 OPRS employees).

Conflicting Roles	Implication	# of Users
Update Employee Paysheets vs. Unconfirm Pay Process	Users have the ability to both unconfirm pay (i.e. to reverse the approval of payment calculations) and update paysheets (i.e. to process payroll).	66

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS users must have this ability along with IT support. Only OPRS confirms the pay process to process the pay checks.

Conflicting Roles	Implication	# of Users
Confirm Pay Process vs. Payment Check Printing	Users have the ability to review and approve salary calculations and also to print payroll checks.	42

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS users must have this ability along with IT support. Only OPRS confirms the pay process to process the pay checks.

Conflicting Roles	Implication	# of Users
Create Employee Paysheets vs. Update Employee Pay Data	Users have the ability to update pay and create paysheets.	34

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS users must have this ability along with IT support.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Conflicting Roles	Implication	# of Users
Create Paysheets vs. Hire Employees	Users have the ability to create an employee (and update his or her personal and salary details) and calculate payroll amounts.	34

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS does not have the ability to create an employee; but has the ability to create pay sheets. IT support also has ability for support.

Conflicting Roles	Implication	# of Users
Update Employee Pay Data vs. File Export - Payroll Interface	Users have the ability to update pay data and create the payroll export files.	34

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS users must have the ability to create payroll files along with IT support. OPRS does not update salary, grade, step of employees, but does have ability to update tax withholdings.

Conflicting Roles	Implication	# of Users
Update Employee Paysheets vs. Hire Employees	Users have the ability to hire employees and update paysheets.	34

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

DCHR is responsible for the on-boarding process which entails placing the initial information in PeopleSoft to create the new employee record. Prior to creating the employee record, all information including salary, title, and budget authority have been approved by agency managers and agency fiscal officers. No action can be placed in PeopleSoft without the requisite approval by agency managers and agency fiscal officers. However, DCHR will work with the ASMP team to ensure that the controls in place maintain the integrity of the hiring process, particularly as it relates to the on boarding process.

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

Various Human Resource departments have the ability to hire employees. Only OPRS, along with supporting IT department, can create pay sheets for payment.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Conflicting Roles	Implication	# of Users
Update Employee Paysheets vs. Update Employee Pay Data	Users have the ability to update pay (i.e. to update payroll calculation data) and update paysheets (i.e. to process the payroll and arrive at the net pay amounts).	34

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS users must have this ability along with IT support.

Conflicting Roles	Implication	# of Users
Create-Update Employee Positions vs. Hire Employee	Users have the ability to create employee positions and hire employees.	400

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

While DCHR is responsible for these functions, there are controls in place that create segregation of duties between employees initiating personnel actions and the actual hiring of employees. The PeopleSoft system is set up such that the authority for position management (i.e., creating positions and assigning position numbers) rests with the compensation and classification administration, while the authority to post positions, create vacancy announcements, and make selection decisions rests in the Administrative Services Administration (ASA).

Employees of ASA have review access to position management data. Once a position is established and assigned a position number, that information cannot be altered by recruitment staff and can only be changed through the position management process.

All aspects of this process are captured in the PeopleSoft approval paths which includes sign-offs by agency managers and agency fiscal officers. Prior to creating the employee record, all information including salary, title, and budget authority have been approved by agency managers and agency fiscal officers. No action can be placed in PeopleSoft without the requisite approval by agency managers and agency fiscal officers.

However, DCHR will work with the ASMP team to ensure that the controls governing the creation of employee positions and the hire of new employees preserve the integrity of the system.

*The following response was provided by Office of Pay and Retirement Systems (OPRS) and Office of Chief Technology Officer (OCTO) personnel:*

There is a customization in place for the position creation process which requires the agency CFO/Financial Staff the role to approve positions. The Human Resource staff can create a new position, but only in a "Proposed Status". Only after the agency CFO/Financial Staff has approved the position, can HR complete the hiring process. OPRS staff cannot create positions nor can they hire employees.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Conflicting Roles	Implication	# of Users
Create-Update Variable Compensation Plan vs. Modify Variable Compensation Allocation to Employee	Users have the ability to set up variable compensation plans and also to allocate them to employees.	34

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

DCHR does not necessarily agree with this finding. This PeopleSoft module has not been implemented and the District does not currently have any variable pay plans. Should this module be implemented, DCHR will work with the ASMP team to implement controls to monitor the actions of users and to create a record of actions taken with respect to plans of this nature.

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

Selected users at the DCHR level are authorized to set up compensation plans after authorized approval.

Conflicting Roles	Implication	# of Users
Data Preparation For Payroll Process vs. File Export - Payroll Interface	Users have the ability to prepare data for payroll processing and create the payroll export file.	34

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

OPRS users must have this ability along with IT support.

Conflicting Roles	Implication	# of Users
Maintain Recruitment Tables vs. Global Payroll	Users have the ability to access the 'Global Payroll' permission list (allows the user to define global payroll rules, maintain global payroll data, and manage the global payroll process) and the 'Maintain Recruitment Tables' permission list.	35

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

DCHR will seek further clarification of the potential risks with the maintenance of recruitment tables. DCHR will take any and all appropriate actions to mitigate the risks identified.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

*The following response was provided by Office of Pay and Retirement Systems (OPRS) and Office of Chief Technology Officer (OCTO) personnel:*

The District does not use the Global Payroll Process, although it is a delivered PeopleSoft product. The District uses the North American Payroll, USF.

Conflicting Roles	Implication	# of Users
Setup Compensation Tables vs. Global Payroll	Users have the ability to access the 'Setup Compensation Tables' permission list (allows the user to define salary grades, define salary plan, define merit increase, etc.) and the 'Global Payroll' permission list.	35

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

The ability to setup compensation tables is limited to only a few high level compensation users in OCTO, DCHR, and OPRS. There are checks and balances in place in PeopleSoft, as all users have specific login identities that will track any actions taken, the date the actions were taken, approval of the action, and the authority to institute the action. (It should be noted that DCHR has not implemented PeopleSoft functionality to define merit increases and to maintain budget.) DCHR will work with the ASMP team to examine the controls in place and will take any and all appropriate actions to mitigate risks identified.

*The following response was provided by Office of Pay and Retirement Systems (OPRS) and Office of Chief Technology Officer (OCTO) personnel:*

Selected users at DCHR level are authorized to set up compensation plans after authorized approval. OPRS does not have this authority. The District does not use the Global Payroll Process, although it is a delivered PeopleSoft product. The District uses the North American Payroll, USF.

### Incomplete Utilization of PeopleSoft

Two significant proposed enhancements of the PeopleSoft Human Resources/Payroll Systems allow employees' payroll costs to be recorded in multiple accounting codes in SOAR (the District's accounting system of record) and employees have the ability to directly charge hours to specific grant programs or local funded projects on time and attendance forms. Both of these capabilities reduce the amount of required manual adjustments and allow for a clear audit trail between specific amounts charged to an account code to the actual employee time and attendance reporting mechanism. Previously, without this functionality, District agencies were required to prepare manual and complex labor redistribution entries to reallocate personnel charges to/from local and federal grant programs.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

While agencies are now able to assign a default account code for an employee's personnel charges that will allow payroll costs to be allocated to multiple accounting codes, most District agencies (with the exception of the Department of Public Works and the Department of Transportation) still do not utilize the newly available functionality of having employees charge hours directly to specific grant programs or other local funded projects that require costs to be specifically allocated. As a result, extensive labor redistribution entries are still required and are based on previous allocation methods when the payroll system did not have the capability to allow employees to directly charge payroll costs to multiple and specific federal and local programs/projects.

We understand that it may not be feasible to have employees directly charge time to specific projects and federal grants; however in many cases District agencies are not fully utilizing the capabilities of the current Human Resources/Payroll system. We recommend that each agency develop policies and procedures and train employees to directly charge their time to specific federal grants and local programs.

### ***Management's Response:***

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

DCHR will seek to implement these modules on a District-wide basis.

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

The PeopleSoft Human Resource and Payroll System purchased by the District is a very comprehensive application with robust functionality. All of the features for this product were reviewed and a Functional Steering Committee discussed these features with agencies and assessed their desire to participate in the implementation of certain features that are new procedures for the District. The agencies selected to pilot the Labor Distribution functionality were those that had experience with the process and understood the benefits of these new features.

The Labor Distribution process is a process that is included in the Time and Labor Module. Modifications were made to legacy payroll system which PeopleSoft replaced (UPPS) to temporarily allow the Time and Labor Module transactions to interface for six months prior to processing these transactions through PeopleSoft. During this period of time, the system was reviewed and the time keepers trained to correctly process a labor distribution payroll entry with the appropriate accounting entries.

The implementation process was smooth but still provides challenges and enforced the implementation approach to select only a few agencies. It has now been a year since the system has been fully implemented and as such, enhancements and program corrections have been made to facilitate a smoother payroll process for the agencies and OPRS. The last District agency who has not implemented the PeopleSoft payroll system is the District of Columbia Public Schools (DCPS) with it many unique requirements. After PeopleSoft implementation at DCPS, the District's intent is to evaluate the PeopleSoft features that are available and not used by agencies.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

At that time, the Labor Distribution feature will be addressed with these agencies and they will be shown the time savings and data accuracy of PeopleSoft, which should enhance their implementation to the Labor Distribution Module. While this will have benefit to most agencies, it is felt that this feature will significantly benefit the larger District agencies.

### Lack of Adequate Supporting Documentation

Personnel action forms, including employees' completed benefits forms, were not provided during testing. We also noted that there was no consistency in the accountability of the maintenance of Official Personnel Folders (OPFs) and reorganizing/switching of these responsibilities to different agency groups was prevalent. This lack of accountability for records management can cause logistical problems of where to obtain the needed personnel records. In addition, the constant reorganizing/switching of responsibilities for filing OPFs can cause loss of personnel records during transition. We also noted that file room staffing was reduced in FY 2008.

For a sample of new hires, terminations, and transfers, we noted the following:

- 1) When personnel actions are initiated by an agency through submitting manual documentation, an HR Advisor/specialist enters the information into PeopleSoft based on the package received. However, it appears that there is no control in place for a review and approval of the information entered to ensure completeness and accuracy and to ensure the change has been properly authorized.
- 2) Personnel files (i.e. SF52s, offer letter, I-9, and Competitive and Non-Competitive forms) were not provided for 12 out of the 50 new hire samples as selected from the independent agencies.
- 3) For 3 out of 50 employees tested, verification of employee approval of benefits was not provided. Per discussion with the HR personnel, the forms could be missing because effective November 2007, employees were encouraged to enroll into selected benefits via Employee Self Service (ESS) in PeopleSoft. However, when the employee enrolls via ESS, the system does not uniquely identify whether it was the employee or HR personnel who completed the form. Thus, the system does not have a control in place to provide electronic confirmation or an audit trail to confirm who made the online enrollment.

Of the 3 instances mentioned above, 1 instance was noted at the Department of Mental Health and 2 instances were noted at District of Columbia Human Resources.

- 4) Personnel files (i.e. employee resignation letter and/or an approved SF52 or related supporting documents) were not provided for 3 out of the 45 resigned/terminated samples. We also noted that in 1 instance, the termination was not performed timely.
- 5) The date of transfer as listed in the database provided to us to select our sample for testing did not match the effective date of the personnel action(s) in PeopleSoft. We noted that 2 personnel action forms in our sample appeared to have been deleted; however, there was no system audit trail or history of the deleted personnel actions.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 6) The District was unable to locate 16 personnel files out of a sample of 50 related to transfers of employees from one agency to another. In addition, 9 of the 50 personnel files for our transfer samples lacked supporting documents (i.e. SF52s, supporting documents authorizing the transfers). While this may not affect payroll overall, the District needs to better track the transfer of its employees.

We further recommend that a quality review be performed to ensure all appropriate documents are maintained and made available for review as required. A follow up should be made to ensure that documents/forms are obtained, processed, and filed into each personnel file in accordance with the District's internal control requirements.

### *Management's Response:*

All Official Personnel Folders for which DCHR is responsible are housed in a central location that is secure and accessed only by authorized personnel. DCHR has established protocols for the use and transfer of official personnel files for agency use. When needed, OPFs are signed out by authorized personnel and tracked by Records Management staff.

With the closing of the Reeves Center in July 2008, DCHR transferred the records management function from the Reeves Center to 441 Fourth Street. Records management personnel remained the same and the procedures for obtaining and maintaining OPFs remained the same. DCHR added staff to ensure proper handling of OPFs and to enhance records management and retention functions.

As part of its internal evaluation process, DCHR will examine the controls in place regarding the filing and maintenance of official personnel files to ensure the integrity of the process. DCHR will take any and all appropriate actions to mitigate risks identified by the auditor.

*Issue #1:* DCHR concurs with this finding, but also notes that personnel actions are no longer initiated by an agency through manual documentation. All aspects of the hiring process are now handled within PeopleSoft. This includes position management, creating positions, assigning position numbers, posting positions, and placing new hires into the PeopleSoft system. All aspects of this process are captured in the PeopleSoft approval paths which includes sign-offs by agency managers and agency fiscal officers. Prior to creating the employee record, all information including salary, title, and budget authority have been approved by agency managers and agency fiscal officers.

In addition, DCHR has established an audit and compliance function whose sole purpose is to conduct audits of agency human resources activities and to determine compliance with human resources rules and regulations. This team examines agency recruitment and selection practices and works with agencies to identify issues including target areas for training and compliance with agency rules.

DCHR has established a table of infractions that provide for corrective actions in cases where the agencies repeatedly violate personnel rules.

*Issue #2:* DCHR does not dispute this finding; however, DCHR only maintains the official personnel files for agencies subordinate to the Mayor's personnel authority. By statute, certain District agencies have independent personnel authority. As such, these agencies serve as the custodian of the record for their own official personnel files.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Of the 50 new hire samples, only 28 of the samples were in agencies supported by DCHR. DCHR provided the personnel files for all 28 OPFs in cases where DCHR serves as the custodian of the record.

DCHR will work with partner agencies by providing advice and guidance on the proper maintenance of official personnel files and by updating rules, regulations, and issuances that further clarify agency roles with respect to the maintenance of records.

*Issue #3:* DCHR concurs that documentation verifying benefit enrollment was not available for the employee files referenced. DCHR does not necessarily agree that there are inadequate controls to provide for electronic confirmation or audit trail. PeopleSoft has benefit confirmation sheets that can be printed by DCHR staff. The system uniquely identifies the individual signing on by their login ID, which determines exactly what functions are available. DCHR will examine the controls in ESS and determine whether additional record-keeping is necessary.

*Issue #4:* DCHR does not dispute this finding. For the reasons outlined in the response to #2 above, DCHR was the custodian of the records for approximately half of the termination test samples and DCHR provided documents to support all its terminations. DCHR will continue to work with partner agencies by providing advice and counsel on the proper maintenance of official personnel files and by updating rules, regulations, and issuances that further clarify agency roles with respect to the maintenance of records.

*Issue #5:* DCHR will work with the Office of the Chief Technology Officer to determine why this data discrepancy exists so that the issue can be resolved.

*Issue #6:* DCHR does not dispute this finding.

### Overtime Payments

District policy requires that all overtime work be authorized and that time and attendance records be properly supported and documented. We reviewed overtime payments made to 78 employees during the year. Following are the agencies for which we noted discrepancies and the number of differences noted at each agency:

- 1) 1 difference noted at the Metropolitan Police Department.
- 2) 2 differences noted at the Department of Transportation.
- 3) 1 difference noted at the Department of Motor Vehicles.
- 4) 1 difference noted at the Child and Family Services Agency.
- 5) 2 differences noted at the Department of Mental Health.

# Government of the District of Columbia

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In addition, District regulations prohibit employees who are classified as career service (CS) grade 14 and above and exempted service employees from receiving overtime pay. The database information that was provided by the District revealed 155 employees totaling approximately \$111,000 where the District paid overtime to ineligible employees.

The District does not appear to have implemented the proper internal controls to ensure that only authorized and approved overtime is paid to employees. Lack of adequate authorization and improper maintenance of documentation increases the risk of unauthorized or incorrect payments being made. The District should strengthen and improve its current policies and procedures surrounding the authorization, approval, and maintenance of documentation supporting overtime pay. Improved policies and procedures needs to be developed at the agency level and improved management oversight needs to be a critical part of the improved policies and procedures.

We did note that in August 2008, the District addressed a portion of these circumstances and the payroll system was configured to prevent overtime payments to exempt employees.

### *Management's Response:*

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

DHCR does not review all approvals of timesheets and authorized overtime for each agency. Policies and procedures are in place regarding authorization needed for overtime. Each agency is responsible for ensuring that agency managers follow District policy that requires that all overtime work be authorized and that time and attendance records be properly supported and documented.

However, DCHR will examine the controls in place governing the proper application of the overtime rules and, where necessary, issue clarifying amendments and policies on this issue.

DCHR Classification and Compensation Administration will continue to provide technical assistance to subordinate agencies and will take any and all appropriate actions to mitigate risks identified by the auditor.

The database information that was provided by the District revealed 155 employees where the District paid overtime to ineligible employees. DCHR acknowledges that the HRIS and Payroll system required more time in setting up the system to accommodate the newly issued rules, and in August 2008, the District addressed a portion of these circumstances.

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

Agencies are required to approve and retain paper documentation for overtime payments, at the agency level, according to instructions contained in the District Personnel Manuals (DPM). Within the PeopleSoft payroll system, overtime is entered by the employee and/or a designated timekeeper and is approved online by the appropriate supervisor/manager.

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The issuance of the revisions of the DPM and the actual PeopleSoft System changes to accommodate policy changes is an area for close coordination between the District Department of Human Resources (DCHR) and the Office of the Chief Technology Office (OCTO).

There are agencies which have exceptions to the guidance issued by DCHR in the District Personnel Manuals (DPM) and therefore authorize overtime payment for employees, who in another agency at a comparable grade may not be authorized the overtime.

Collection of improper overtime payments from numerous employees was accomplished in FY 2009.

### Lack of a Formal Payroll Review Process at the Agency Level

Based upon discussions with various agencies, we noted that not all agencies have formal policies and procedures which address the performance of a review of the agency payroll data submitted to the Payroll Office for processing.

While there are procedures in place for a supervisory review of employee time and attendance records, we recommend that this should be supplemented by an agency level review to ensure the payroll data is reasonable and consistent with prior periods and any discrepancies are investigated and resolved. The lack of a formal review process or designation of a specific oversight responsibility increases the risk that payroll errors and irregularities will not be detected on a timely basis. Evidence of the review should also be documented.

### *Management's Response:*

*The following response was provided by District of Columbia Human Resources (DCHR) personnel:*

DCHR does not dispute this finding. Internally, DCHR follows general standard operating procedures on Time and Labor Reporting as established by ASMP. In addition, DCHR has its own internal controls to ensure that after time is entered by each DCHR employee into e-Time, the payroll supervisor follows the procedures listed below:

- At regular intervals, collect all sign in/out sheets from each unit in DCHR;
- Collect leave slips and cross-reference them with the sign in/out sheets for the corresponding employees;
- Match the time entered by each employee in e-Time to the employee's sign/out sheet;
- The approver/reviewer of each unit keeps a copy for the unit file of the sign in/out sheets, leave slips, and any other hard copy of approved overtime, comp time, or advance leave of each employee for auditing and quality control purposes;
- In the event that the unit approver is not available, the time and labor supervisor enters, approves, and corrects time for those employees. The unit supervisor is required to submit a request in writing granting permission to the time and labor supervisor to approve time for the employees of their unit;

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- If there is an error in time entered or the employee changes his/her time entered after the supervisor has approved time, the time and labor supervisor notifies the unit supervisor of the discrepancy for correction.

*The following response was provided by Office of Pay and Retirement Systems (OPRS) personnel:*

The PeopleSoft system is a decentralized system which allows the individual employee to input his/her time online which, in turn, must be approved online by a manager/supervisor for processing. Although agency payroll managers conduct reviews for high level discrepancies (no time entered, less than 80 hours entered into the system, non payable status, etc), every single discrepancy which could occur is not reviewed. This recommendation may be appropriate for specific agencies, but it must be coupled with the resources available to perform the duties, the appropriate internal control environment, and able to be accomplished within the short window for payroll processing.

However, management agrees that the overall process should be reviewed and changes made as appropriate.

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## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### 2008-04 Office of Tax and Revenue (OTR)

On November 7, 2007, federal investigators announced the arrest of Office of Tax and Revenue (OTR) employees in connection with an alleged misappropriation of District funds by employees who were issuing and embezzling fraudulent manual real property tax refund checks.

While the fraud disclosed above occurred through the manual tax refund process at OTR, the majority of refunds are processed through an automated system called the Integrated Tax System (ITS). As a result of the aforementioned fraud, significant additional audit processes were performed on the entire refund process at OTR. There was a significant increase in the number of transactions examined and types of procedures performed. Personnel with forensic background and skills were involved in the development and implementation of the additional audit work.

Following are issues noted in the controls of the entire refund process. This section is divided into 3 parts:

- Automated (ITS) Tax Refunds.
- Manual Tax Refunds.
- Other Issues.

### 2008-04A Automated Tax Refunds

#### Unidentified Taxpayer Accounts and Converted Remittances in the Integrated Tax System (ITS)

Unidentified taxpayer accounts are used to record tax returns and payments received which contain inadequate identifying information. The use of these accounts was also identified in an Office of Integrity and Oversight (OIO) report dated June 5, 2008. The OIO report noted the following:

- The creation and use of the unidentified taxpayer accounts dates back to 2001.
- OIO identified 8 unidentified taxpayer accounts that were in use when its report was issued. As of January 2009, a total of 10 unidentified taxpayer accounts have been isolated.
- Unidentified taxpayer accounts may have numerous profiles or sub-accounts attached to the one base account.
- Converted remittances (i.e. payments or credits) are posted to unidentified taxpayer accounts.

During our procedures, we noted the following with respect to unidentified taxpayer accounts:

- 1) Any individual with access and modification rights within ITS can create a taxpayer account, including unidentified taxpayer accounts or an invalid taxpayer account. Further, any individual with access and modification rights to ITS can access unidentified taxpayer accounts, record adjustments, and transfer balances to and from these accounts. Prior to September 30, 2008, there were no policies and procedures regarding management's review of the activities processed through these accounts.

# Government of the District of Columbia

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- 2) A taxpayer account can be created with any nine digit number identified as an Employer Identification Number (EIN) or a Social Security Number (SSN). Currently, a process does not exist to match the EIN/SSN in ITS to a federal database to ensure that these identification numbers are valid. The EIN/SSN numbers are used as unique identifiers for a taxpayer account.
- 3) A review has not been completed to detect all potential unidentified taxpayer accounts within ITS. We were able to enter "000-00-0000" as a SSN within ITS and this number was associated with an ITS account and had 158 profiles/sub-accounts. As such, management has been unable to identify the universe of unidentified taxpayer accounts, the total balances of these accounts, and/or quantify the activity that is processed through these accounts.
- 4) Within ITS, the notes feature is used to attach explanations to specific transactions recorded in an account. However, the notes are linked to the taxpayer account and not the transaction code. As a result, it is difficult to find the explanation for a specific transaction. For instance, a taxpayer account may have numerous notes associated with it; however, the note is not linked to the specific transaction.

We noted that as of October 2008, several manual controls have been developed and are in the process of being implemented over the review of activity in the 10 unidentified taxpayer accounts detected by the OIO and management. Based on a review of these 10 accounts, management has stated that:

- 572 returns and payments are included as part of the balance in these accounts.
- At September 30, 2008, unidentified payments totaling \$58,000 and converted remittances totaling \$215,000 remain in the accounts.

During our procedures, we noted the following with respect to converted remittances in unidentified taxpayer accounts:

- 1) Converted remittances are payments or credits in taxpayer accounts that were not properly posted to the correct taxpayer account when OTR underwent the conversion from the old legacy system(s) to the new ITS system.
- 2) Management has been unable to quantify the balance of converted remittance payments in the ITS system.
- 3) Adequate controls do not exist over the review and transfer of converted remittance credits to taxpayer accounts to reduce a taxpayer's liability. In a January 5, 2009 report, OIO identified 2 instances where a Returns Processing Administration (RPA) employee used the converted remittance credits in an unidentified taxpayer account to reduce the tax liability of two taxpayers.

In one of the two occurrences, the taxpayer's tax liability was reduced from \$19,000 to \$1,000. In the other occurrence, a refund was attempted to be generated for the taxpayer; however, it was not processed further because the taxpayer had additional outstanding tax liabilities.

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The use of unidentified taxpayer accounts can result in erroneous tax bills to the taxpayers, incorrect application of taxpayer payments, and create an opportunity for the generation of potentially fraudulent refunds.

In addition, inadequate controls over review and transferring of converted remittance payments can result in generation of fraudulent tax refunds and/or fraudulent reductions in taxpayer liabilities. We recommend the following:

- Management should institute a process to determine the existing universe of the unidentified taxpayer accounts in ITS and quantify the balances and activity in these accounts. In conjunction, management should identify the total amount of converted remittance balances in these unidentified taxpayer accounts.
- Going forward, management should discontinue the use of multiple unidentified taxpayer accounts. Instead, limited number of suspense accounts can be created to record unidentified tax payments and tax returns. Modification rights to these accounts should be restricted to a selected group of individuals. The activity in these accounts should be reviewed by a supervisory level employee who does not have modification rights to these accounts.
- Access to record and transfer converted remittance credits to active taxpayer accounts within ITS should also be restricted to a selected group of individuals. The number of converted remittance credits transferred to legitimate taxpayer accounts should be reviewed by a supervisory level employee who does not have modification rights to these accounts.
- Establish policies and procedures to validate EIN/SSN and taxpayer identification numbers in ITS against Internal Revenue Service (IRS), Social Security Administration, or other Federal databases.
- To enhance the audit trail related to specific transactions, the notes associated with unidentified taxpayer accounts should be linked to the transactions rather than the taxpayer account.

### *Management's Response:*

We have taken or are taking the following actions:

- OTR will discontinue creation of new dummy accounts and will merge together into two accounts all existing accounts that were considered dummy accounts. These accounts will be handled using the "VIP" processing procedures which restricts read and write access to a limited number of OTR staff. Usually VIP access is limited to a need to know basis.
- RPA staff will be instructed to cease posting any transactions to accounts that are unidentified (i.e. dummy accounts). Transactions that do not have sufficient data to allow posting to an account will either be stopped in the Code and Edit function for management direction or if the transactions do get through the Integrated Data Capture System (IDCS) system, it will fall into the Suspense queue at which time, the case will be referred to management for additional direction.
- As referenced above, dummy accounts will be reclassified as VIP accounts and read/write/update rights will be extremely limited to select OTR personnel.
- OTR is currently working with the IRS, Social Security Administration, and other federal agencies to secure identification information that can be used within OTR to validate taxpayer's identification information.



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- A SIR has been written to request ISA systemically delete the converted credits currently posted in the dummy accounts. The converted credits are not true credits and are a system error from the conversion from the former legacy system into ITS.
- Management will review all accounts that have “converted credits” to account for any credits that may have been transferred.
- All actions taken on dummy accounts will be documented. It is the intention to scan documentation of dummy account activity into the system and that it be associated with the account or transaction.

### Integrated Tax System (ITS) User Rights

An Office of Integrity and Oversight (OIO) report dated January 5, 2009, identified an employee who was able to process unauthorized adjustments to taxpayer accounts because he was granted access rights beyond his job responsibilities.

A coordinator between Returns Processing Administration (RPA) and the Information Service Administration (ISA) is responsible for designing and developing systems and forms for RPA, and communicating such enhancement requirements to ISA. However, as this individual had modification rights within ITS, he was able to transfer the converted remittance credit balance in an unidentified taxpayer account to two different taxpayer accounts and reduce the tax liability of these taxpayers.

As of January 2009, OIO is in the process of reviewing other transactions recorded by this individual. In addition, management has changed the access rights for this individual and restricted modification rights in ITS.

During our review of a sample of users with access to ITS, we noted the following:

- 1) 5 employees were noted as terminated but still had access to the system.
- 2) 4 users (2 student trainees, 1 administrative assistant, and 1 clerical assistant) did not have the appropriate access.

To enhance controls over transactions recorded in ITS and to prevent unauthorized entries or adjustments, management should review ITS user profiles of all employees and assign appropriate user rights based on an individual employee’s job responsibilities. Management should consider a formal process with adequate audit trails to ensure that all ITS users are authorized, that all access rights are modified accordingly, and that users are removed from the system on a timely basis upon termination.

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### *Management's Response:*

A review of ITS user profiles for all RPA employees has been conducted and completed. This review looked at the function of each employee and the access (rights) the employee required for his/her position. Management will ensure that all user profiles are reviewed and rights are assigned appropriately.

### Transfers and Adjustments to Taxpayer Accounts within the Integrated Tax System (ITS)

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.

We noted that adequate segregation of duties does not exist over the initiation and posting of transfers and adjustments to taxpayer accounts. The same individual who initiates the transfer and/or adjustment to a taxpayer account can also authorize and post the transaction. In addition, a supervisory level review of the transfers and/or adjustments is not performed. Inadequate controls over this process can result in the generation of fraudulent tax refunds and/or fraudulent reductions in taxpayer liabilities.

OTR should create and enforce policies which are set up to improve existing internal control without impairing efficiency. Management may also consider the creation of a report of transfers and/or adjustments posted to taxpayer accounts, which can be reviewed by a responsible individual.

### *Management's Response:*

User profiles have been reviewed and adjusted to limit employee access (rights) based on their specific job responsibilities. Our Suspense and Review employees will still maintain the capability to transfer and/or adjust taxpayers' accounts which is a requirement to process and settle a return. We will request the capability to generate reports that will enable us to monitor and quality check transfers or adjustments to taxpayer's accounts.

The Collection Division established an Adjustment Unit that is responsible for making adjustments. Potential adjustments must be approved by management prior to transfer for input. Employees within the Adjustment Unit do not have inventory assigned to them and cannot adjust accounts.

### Reconciliation between SOAR and the Integrated Tax System (ITS) - Undelivered Tax Refund Checks

Some tax refund checks mailed to District taxpayers are sent back to OTR. A tax refund check can often be 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 (i.e. a taxpayer who lives in an apartment building but did not specify an apartment number). The following steps are taken when a tax refund check is returned to OTR:

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- A Returns Processing Administration (RPA) employee picks up the checks from the Post Office. Subsequently, another RPA employee prepares a listing of the undelivered checks. The listing along with the undelivered checks is then sent to the Customer Service Administration (CSA) to be canceled in ITS.
- CSA voids the undelivered check, cancels the check in the ITS system, and re-establishes the tax refund liability to the taxpayer within ITS. In addition, CSA instructs the system not to reissue the tax refund check by "suppressing" the refund check request.
- The voided undelivered tax refund checks are sorted by tax type and sent to the Revenue Accounting Administration (RAA) along with an electronic listing.
- RAA then sends the undelivered tax refund checks to the Office of Finance and Treasury (OFT) where OFT cancels the check in its Checkwrite system (i.e. removes it from the outstanding check list.)
- Once RAA receives confirmation from OFT that the check has been canceled in the Checkwrite system, RAA records a journal entry in SOAR, to reinstate the revenue and cash.

We noted that undelivered tax refund checks were not always recorded accurately in SOAR and ITS. Effective July 2008, RAA began to prepare a monthly reconciliation of undelivered refund checks recorded between ITS and SOAR. However, this reconciliation only compares the cumulative number of undelivered checks recorded in each system as of the reconciliation date.

As a result, management is unable to identify and post correcting entries for the individual undelivered checks that may have been recorded erroneously in either system. Based on this reconciliation of the cumulative undelivered refund checks recorded in the ITS system and SOAR, the net effect of undelivered checks recorded in SOAR but not reversed in ITS amounts to approximately \$991,000 for the fiscal year ended September 30, 2008. This amount represents an overstatement in revenue and cash when compared to the ITS system.

We also noted that although a limited number of personnel within CSA have the right to cancel and suppress refund checks in ITS, all CSA personnel below the manager level have the right to release suppression of refund checks.

Management should improve the communication between the Customer Service Department, the RAA within the OTR, and OFT to reduce the number of errors in recording these checks within the ITS system and SOAR. In addition, outstanding reconciling items due to recording and posting of undelivered refund check transactions should be investigated and resolved timely. To enhance controls over issuance of suppressed refund checks, the access to release these checks for re-issuance to the taxpayer should be restricted to a selected group of individuals. A supervisory level employee who does not have access to release these checks should review the released checks to ensure propriety.

### *Management's Response:*

RAA will work with the other administrations to ensure that undelivered and suppressed refund checks are properly accounted for and that reconciliations are prepared on a monthly basis.

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### Real Property Tax Refunds Processed through the Integrated Tax System (ITS)

The following issues were noted during our review:

- 1) Tax refund vouchers and/or other documentation supporting real property tax refunds could not be located for 5 of the 64 real property ITS refund samples selected for testing. According to District procedures, supporting documentation for a real property tax refund should include a tax refund voucher, the Real Property Tax Bill (Form FP-177), and correspondence requesting the tax refund from the taxpayer, its agent, or the mortgage company/bank.
- 2) Of the remaining 59 sample selections, 12 refund vouchers were processed prior to the implementation of the Interim Refund Directive on March 31, 2008. These 12 refund vouchers were only signed by the Real Property Tax Administration and Adjustment Unit (RPTAAU) employee who prepared the voucher. A manager's review and approval was not documented for these real property tax refund vouchers.

All real property tax refunds processed through the ITS system should have the required supporting documentation, such as a tax assessment bill and correspondence from the taxpayer requesting the refund.

Further, all real property tax refund requests should be reviewed by a manager prior to being processed within ITS for validity and ensuring that the requests are supported by adequate documentation.

#### ***Management's Response:***

All refunds are being processed in accordance with the Interim Refund Directive and include supporting documentation. All refunds greater than \$1,000 are being reviewed prior to being approved in ITS.

### Legible Scanned Copies of the Original Tax Return not Maintained as Supporting Documentation

The following four departments within the Returns Processing Administration (RPA) are involved in ensuring that proper scanned images of tax returns are maintained in the Integrated Tax System (ITS) as supporting documentation for tax refunds processed. In addition, these departments are responsible for ensuring that the information entered in ITS matches the information on the tax returns as submitted by the taxpayers and scanned in the system.

- Document Preparation Unit – This unit is responsible for preparing various tax returns and correspondence to be scanned into the Integrated Data Capture System (IDCS).
- Scanning and Review Operations Unit – The primary function of this unit is to scan tax returns into the IDCS. The IDCS system performs a balancing check, to ensure that the information entered into ITS matches the data in IDCS.

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- Data Input and Repair Unit - After items have been scanned into IDCS, an edit check is done to determine if the scanned tax returns have errors. If an error has occurred, generally due to the system inability to read the information on the imaged returns, data operators receive the batches and manually enter the missing information into the Quick Key module of IDCS.
- Output Review Unit – This unit functions as quality control for the scanning and entering of tax information in ITS. The unit randomly selects 12% of all billed and refund returns and ensures that scanned tax return images are proper and the information per the scanned copies of the tax returns matches the information entered in ITS.

During our procedures we noted that proper tax documents were not scanned in for 13 of 707 of the sample selections for tax refunds processed through ITS. Specifically, we noted the following:

- 1) For 11 of the sample selections, the information in ITS such as the taxpayer name, address, and/or social security number or employer identification number did not match the information per the scanned copy of the tax return.
- 2) For 2 of the sample selections, there was no accompanying tax return scanned into ITS to support the tax refund issued to the taxpayer.

Management should ensure that all tax returns processed through RPA are scanned properly into IDCS, which is then uploaded to ITS. Additionally, management should ensure that the information listed on the tax return matches the information in ITS. Further, if a proper scanned image of the tax return is not maintained within ITS, the information entered into the system cannot be supported by external documentation provided by the taxpayer.

The Output Review Unit currently selects for review approximately 12% of the total tax refunds processed within the ITS system. The Output Review Unit should consider increasing this percentage. In addition, the errors and/or issues noted by this group during its review should be communicated to the other departments within RPA who are responsible for the scanning function to ensure that systematic problems are identified and corrected.

Also, with regards to incorrect names and addresses, it is recommended that the taxpayer be contacted for his/her name and/or new address. Once this has been determined, the current information should be updated into ITS. Management should establish policies and procedures to validate EIN/SSN, taxpayer identification numbers, in ITS against Internal Revenue Service, Social Security Administration, and other Federal databases.

### *Management's Response:*

RPA currently has several different levels of review that were implemented to ensure scanned tax information matches the data in ITS. These reviews are as follows:

- For all returns and payments scanned processed by our lockbox contractor, a sampling (minimum 3%) of each batch is performed to ensure that the document (image) and data agree. If the image and data do not agree, the batch is returned to the lockbox contractor for correction.

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A report is submitted each day that we receive documents/data from the lockbox contractor. The report provides management with statistical information on the number of documents and data received, number reviewed by batch, and a number of errors by batch.

- For all returns, declarations (estimated payments), extensions, or other documented postings to ITS, if these transaction falls into either the Suspense or Review queue, a 100% review is conducted to ensure the image matches the data. If a mismatch situation is found, the employee is instructed to (1) research all of the documents that were processed in the batch to ensure they were processed with the data and image are correctly associated; (2) document each mismatched image in Notes with sufficient information as to the issue; (3) if the correct image needs to be rescanned and associated, take the necessary action; and (4) complete a report that identifies the mismatch case(s) and the report is sent to management for additional research and statistical purposes.
- The Output Review unit has numerous review criteria, of which the 12% criteria cited is but one. Each of the review criteria has the same requirement to conduct a 100% of image to data.
- Over the past two processing years, OTR has eliminated capturing address information from most non-return documents (i.e. extension requests, declarations (estimated payments), sales returns, etc). OTR is implementing a Taxpayer Address Request system that will collect the latest address information from the IRS and that information will be used to update accounts in ITS.

### Withholding Payments Processed through the Integrated Tax System (ITS)

There is no documented match of withholding payments received by the District from taxpayers to the tax payment reported on the taxpayer's tax return. In addition, management does not appear to have an adequate process to match the withholding information received from employers to the tax returns submitted by taxpayers. Therefore, a refund may be issued to taxpayers without determining if taxpayers have in fact made tax payments to the District. To ensure that tax payments reported on tax returns have been received by the District, management should institute a process to match the following:

- Withholding payment received by the District to tax payments reported on tax returns.
- Withholding information received from employers to the withholding amounts indicated on tax returns.

### *Management's Response:*

A system has been created which contains W-2 information. Information in this system will be used to match tax payment information reported by the taxpayer.

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### "Voided" or "Canceled" Checks Processed through the Integrated Tax System (ITS)

There are not adequate controls to ensure that a tax refund check has not been cashed at the bank prior to "voiding" the check in ITS. Additionally, there does not appear to be a system control to prevent a refund check from being voided or cancelled in ITS multiple times. A change report is not created for manager review when a check is recorded as "VOID" in the system. This report could be used to identify unusual transactions or patterns when checks are recorded as "VOID" or "CANCEL".

We recommend management enhance controls over voided and cancelled checks. Further, a supervisory level employee who does not have access to "VOID" checks in ITS should review the change report for unusual transactions or patterns.

#### *Management's Response:*

OTR will lead an effort to produce a document which applies to all administrations that will address controls related to "VOIDED" and "CANCELED" checks.

### 2008-04B Manual Tax Refunds

#### Policies and Procedures for Processing a Manual Tax Refund

The following administrations have developed or are beginning to develop policies and procedures which address manual tax refunds but these policies were not in place at the beginning of FY 2008.

- Revenue Accounting Administration (RAA) – This administration is responsible for reviewing the manual refund voucher for appropriate authorization and adequacy of the supporting documentation and processing the voucher in SOAR, the District's accounting system of record. The manual refund process has been included in a detailed policies and procedures manual for RAA. This manual was implemented in May 2008.
- Real Property Tax Administration and Adjustment Unit (RPTAAU) – The Interim Refund Directive drafted by the Business Process Committee (BPC) and implemented on March 31, 2008, does not contain a complete and final listing of the documentation required to issue a manual refund generated from RPTAAU. Three divisions within this administration are in various stages of developing and implementing policies and procedures for processing manual refunds. Specifically:
  - a. Tax Sale Division – RPTAAU has developed a policies and procedures manual for this division. The document includes policies for processing manual refunds and was implemented in December 2008.

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- b. Homestead Unit – RPTAAU has developed a *draft* policies and procedures manual for this unit. This document includes policies for processing manual refunds and has not yet been implemented.
- c. Adjustment Unit – RPTAAU has developed a *draft* policies and procedures manual for this unit. This document includes policies for processing manual refunds and has not yet been implemented.

Policies and procedures for processing manual refunds have not been established or documented by the following three administrations and divisions within OTR:

- Compliance Administration (CA)
- Returns Processing Administration (RPA)
- Problems Resolutions Office (PRO)

We recommend that policies and procedures for processing manual refunds be developed and that these policies should address:

- The trigger events for initiating a manual refund.
- Instructions to indicate how the forms supporting the manual refund voucher request as defined in the Refund Directive should be completed.
- The individuals who are designated to prepare, collate, and research the supporting documentation required for each type of manual refund.

Without defined guidelines on how a manual refund should be processed, reviewed, and approved, a risk exists that unauthorized manual refunds may be processed through the system. Further, the RPTAAU section of the Refund Directive should be finalized to include the supporting documentation required for each type of refund processed through this administration.

### *Management's Response:*

Policies and procedures for processing manual refunds will be documented for CA, RPA, and PRO.

### Internally Generated Standard Form for Requesting and Processing

The SOAR Revenue Refund Voucher (SRRV) form used to process manual refunds is not always accurately completed. The SRRV summarizes the pertinent aspects of each manual tax refund: voucher number, taxpayer identification information, agency object, amount of refund, and the nature of the manual refund.

Our review of the 101 manual refunds which had been selected for testing indicated the following:

- 1) 22 items had one or more of the following fields outstanding (blank) on the SRRV:
  - a. *Description* - description of the refund, relevant tax year, and justification for the refund.
  - b. *Entered in SOAR by* - Name of the individual who entered the manual refund into SOAR, the District's accounting system of record.



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## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- c. *Approved in SOAR by* - Name of the individual who approved and released the manual refund in SOAR.
- 2) A signature list of the individuals authorized to review and approve the SRRV is not maintained by the Revenue Accounting Administration (RAA), the administration responsible for releasing the manual refund for payment. As a result, it is difficult to identify if an authorized employee has approved the manual refund request on the SRRV form. Management should consider adding to the SRRV form the printed name of the individual who prepares and approves the manual tax refund request, to avoid confusion if signatures are unidentifiable or illegible.
  - 3) All SRRVs are assigned a sequential document number (similar to an invoice number). For 5 manual refunds tested, the document number on the SRRV had been manually changed. If the document numbers can be changed manually, a risk exists that document numbers may not be assigned sequentially and therefore may not be easily tracked.
  - 4) When manual refund data is input into SOAR, the entry is not reviewed for accuracy. In 3 instances, the vendor name was misspelled when input into SOAR and consequently printed incorrectly on the refund check. In 1 instance, the vendor name was spelled incorrectly on the SRRV and consequently input incorrectly into SOAR and printed incorrectly on the refund check.
  - 5) The SOAR Refund Review Certification form is attached to manual refund vouchers greater than the threshold amounts defined in the Refund Directive. This form is signed by the appropriate authorized approvers of a manual refund voucher within each respective administration. The form includes language which states several steps that the reviewer is "certifying" they have completed to ensure that the voucher is related to a valid refund request. However, we noted that the form does not contain language that states that the reviewer has ensured all supporting documentation as required by the Interim Refund Directive has been attached to the manual refund voucher. As a result, the reviewer is not asked to certify that they have reviewed the manual refund voucher in detail to ensure that all supporting documentation is attached to the voucher.

To enhance controls surrounding the review and approval of manual refund requests, we recommend the following:

- All applicable fields on the SRRV form should be completed with the appropriate detail.
- The SRRV should provide space for preparers, reviewers, and approvers to not only sign, but also to print their full name and title.
- The RAA should maintain a listing of employees, by administration, which are authorized to prepare and approve the SRRV packet. This list should be consulted during the review of each manual refund packet.
- The SRRV should be pre-printed with sequential document numbers to eliminate the risk of alteration of these document numbers. In addition, this should assist in tracking and accounting for manual tax refund vouchers.
- The SOAR Refund Certification Form should include language "the reviewer has ensured all supporting documentation as required by the Interim Refund Directive has been included with the manual refund voucher." Inclusion of this language in the form will hold reviewers accountable for ensuring that appropriate supporting documentation is attached to the refund voucher requests.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### *Management's Response:*

Management will ensure that the following actions are taken:

- SRRVs are fully completed and properly authorized.
- A list of authorized signatories is currently maintained on the G: / Drive by the Management Program Analyst. This list will be updated so that it remains current.
- In one instance, the sequential numbering system was manually altered due to a one-time system problem. Relevant personnel will be advised to not change the numbering system. Any system problems will be brought to the attention of management so that any out of sequence numbers will be duly noted.
- Releasers and approvers will be instructed to review the data screen for accuracy before final approval is assigned to a voucher.
- The Documentation Check List will be updated to make sure that the supporting documentation covers all tax refund types.
- Revision of the Certification Form requiring the preparer to certify that all supporting documentation has been attached to the manual refund voucher.

### Lack of Adequate Supporting Documentation

A listing of required supporting documentation for each type of manual refund did not exist until March 31, 2008, when the Interim Refund Directive was implemented. The following findings are instances where insufficient documentation was attached to a particular manual refund voucher.

- 1) *Missing Manual Refund Voucher Packet* – Management was unable to provide us with 13 of the 101 manual refund vouchers as these vouchers could not be located. Based on additional documentation requested and alternate procedures conducted, we were able to determine that the vast majority of these refunds were valid refunds, even though the refund voucher could not be located.
- 2) *Insufficient Taxpayer and Vendor Correspondence or External Documentation* – Insufficient documentation was attached to the SRRV to substantiate the manual refund request. As a result, additional information had to be requested from the appropriate administration to ensure that the manual refund voucher was valid. In the majority of these instances, management was able to provide the documentation to support the validity of the refund. Specifically, we noted the following:

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Real Property Tax Manual Refund Sample Selections:

- A. Real Property Assessment, Roll Correction Report, or Special Billings Report - This document demonstrates a decrease in the assessed value of the property, therefore resulting in an overpayment of real property taxes. Management provided this support for 14 of the real property tax manual refund sample selections selected for review. Of the 14 samples tested, 3 required a Real Property Assessment, Roll Correction Report, or Special Billings Report. This documentation was not attached to the SRRV in any of these sample selections. However, OTR was able to provide the supporting document when requested.

### Tax Sale Manual Refunds Sample Selections:

- A. Attorney Release Letter - The lack of an attorney release represents a risk that the original property owner has not completed redemption on the applicable property, and therefore the tax sale purchaser is not due a refund. For 11 of 54 Tax Sale and Tax Sale Subsequent Payment manual refunds tested, the attorney release was not attached to the SRRV and had to be requested from the Real Property Tax Administration and Adjustment Unit (RPTAAU). OTR was unable to provide this document for 7 of these selections.
- B. Buyer's Report - The Buyer's Report details each Square, Suffix, and Lot (SSL) number sold to a particular buyer for a particular tax year, and includes the amount of the outstanding taxes purchased and the amount of the surplus paid. Exclusion of the Buyer's Report from a manual refund package exposes OTR to the risk of disbursing unauthorized manual refunds. For 15 of 54 Tax Sale and Tax Sale Subsequent Payment manual refunds tested, the Buyer's Report was not attached to the SRRV and had to be requested from the RPTAAU. OTR was able to provide the supporting document when requested.
- C. Certificate of Sale (COS) or Certificate of Bid-off Sale (COBOS) - The COS or COBOS verifies the tax sale purchaser's purchase of a specific SSL. Without this document, the veracity of the tax sale purchase cannot be determined, and consequently a risk exists of disbursing unauthorized manual refunds. For 4 of the 49 Tax Sale manual refund selections, the COS or COBOS was not attached to the SRRV and had to be requested from the RPTAAU. OTR was able to provide the supporting document when requested.
- D. Tax Sale Registration Form - This document serves as further verification of the tax sale purchaser's purchase of a particular property at a particular District Tax Sale Auction. Furthermore, it bears evidence in the form of a stamp from the Cashier's Office that the tax sale purchaser deposited money with the District and is owed a refund. For 8 of 54 Tax Sale and Tax Sale Subsequent manual refund selections, the tax sale purchaser's Tax Sale Registration Form was not attached to the SRRV. Supporting forms had to be requested from the RPTAAU. OTR was able to provide the supporting document when requested for all but 1 sample selection.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 3) *Erroneous Supporting Documentation:* For 12 of the 101 manual tax refunds selected for testing, the supporting documentation attached to the manual refund request was erroneous. In each of these instances, we were able to obtain the appropriate supporting documentation and validate the tax refund.

### *Management's Response:*

Attached to every SOAR refund request is a Document Checklist that names the supporting documentation required by the type of tax being refunded. Management will update the Document Checklist to include supporting documentation required by the different tax types. Reviewers and approvers will be instructed by management to return all SOAR requests that are not supported by required documentation.

### Refund Review Certification Form (Certification Form)

The Signature Approval portion of the Interim Refund Directive states that employees are able to delegate their authority level to their subordinates. We noted that supervisors did generally delegate their approval authority levels to their subordinates (i.e. individuals who are not authorized to review and approve transactions at the predefined level). Although the delegations of authority are usually for a specific time-period, a risk exists that authority levels may not be updated accurately and timely. As a result, individuals may receive their supervisor's authority levels indefinitely.

The delegation of authority to individuals previously not authorized to review and approve refunds can impact the segregation of duties related to review and approval. For instance, an authorized approver may delegate their approval authority to an individual who has the ability to initiate a refund. As a result of the delegation of authority, there will be no longer be a segregation of duties between the individual responsible for initiating the refund and the individual responsible for authorizing the refund.

During our procedures, we noted the following for the vouchers processed after March 31, 2008 when the Interim Refund Directive was implemented:

- 1) Two Real Property Tax Administration and Adjustment Unit (RPTAAU) employees signed 5 manual refund Certification Forms for tax sale refund vouchers above their approval authority levels. The delegation of authority documentation could not be located for one employee. For the second employee, email documentation stated that the employee's supervisor had granted the employee temporary authority to sign at the supervisor's approval level. However, the email documentation did not clearly state the start date and end date of this delegation of authority.
- 2) Two RPTAAU employees signed two ITS Certification Forms for a Real Property and a Fiduciary Tax refund above their approval authority levels.
- 3) The Certification Form does not have a column to indicate the date of review. As a result, the Revenue Accounting Administration (RAA) will be unable to verify if the individual signing and authorizing the refund voucher had the authorization to do so on the date of his or her review.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

The Signature Approval Directive should be amended to state that supervisors are not able to delegate their authority level to their subordinates. Instead, if an individual needs to delegate his or her authority level, this authority should be delegated to either a peer or supervisor. The Refund Certification Form should also be modified to include a column for date of review.

### *Management's Response:*

Management will change the Approval Directive to state that refund approval authority for first line supervisors cannot be delegated to their subordinates.

### Manual Refunds Posted to the Incorrect Agency Code

The Real Property Tax Administration and Adjustment Unit (RPTAAU) processes several different types of refunds which include but are not limited to: Deed Recordation Fees, Real Property Taxes, Tax Sale Purchases, Tax Sale Subsequent Payments, Real Property/Tax Sale Interest, Individual Income Taxes, Inheritance and Estate Taxes, and Deed Recordation Taxes. Each of these refund types has a corresponding agency object code in SOAR, the District's accounting system of record.

During our testing, we noted that 4 of the 101 manual refunds selected for testing were posted and recorded to the incorrect agency object in SOAR.

We recommend that the review process for the SOAR Revenue Refund Voucher (SRRV) should be enhanced to ensure that the accurate agency object codes are listed on the voucher. Individuals responsible for reviewing and authorizing the vouchers should verify that correct agency code is indicated.

### *Management's Response:*

A line will be added to the Documentation Checklist requiring the reviewer to check off that coding has been reviewed and is correct.

## 2008-04C Other Issues

### Reconciliations and Year-End Closing

In the process of performing our audit, we encountered several instances where revenue schedules had to be revised due to the fact that amounts did not reconcile with the supporting details:

- 1) We noted unreconciled differences between the amounts recorded in SOAR, the District's accounting system of record and the amounts in OTR's individual general ledger.
- 2) We noted that reconciliations of revenue accounts were incomplete. For instance, we discovered errors in the formula computing accrued revenue with respect to ballpark fees.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 3) We also found that the treatment of non-real property pipeline collections was incorrectly calculated at year-end.

Timely reconciliations would have quickly identified these errors and the needed corrections. Reconciling differences should be corrected before the books are closed. We believe that a more timely review and evaluation of transactions would expedite the year-end closing.

### *Management's Response:*

It should be noted while Revenue Accounting Administration (RAA) experienced management and staff turnover in FY 2008, it now has a new but experienced management team which is committed to developing, implementing, and documenting reliable and efficient year-end closing procedures; establishing standards for work paper sufficiency; ensuring supervisory/management reviews and approvals of all RAA work products and processes; setting timetables for recurring SOAR to OTR subsidiary ledger reconciliations; strengthening procedures and reviews in risk areas; and periodically reviewing RAA policies and procedures for continuing effectiveness. The error regarding non-property tax "pipeline" revenues is one-time in nature due to changes in personnel, poorly documented procedures, and insufficient legacy work papers. These conditions will be rectified in FY 2009. RAA will coordinate its activities with the Office of Financial Operations and Systems, providing work papers, analyses, and justifications, as needed.

### Reconciliation of the Tax Sale Ledger

An adequate process is not in place to reconcile the Tax Sale Ledger, the D.C. General Ledger, and SOAR, the District's accounting system of record, on an on-going basis. 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.

Since these systems were not properly reconciled in the past, OTR engaged an outside consulting firm to perform these reconciliations in October 2008. Management should implement a process to reconcile these systems on a more regular basis.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### *Management's Response:*

Real Property Tax Administration (RPTA) has completed a reconciliation of Tax Sale Ledger with the D.C. Ledger for 2008. RPTA has already begun working with Revenue Accounting Administration (RAA) to reconcile with the D.C. Ledger with SOAR and will work with RAA to develop procedures for periodic reconciliations during the fiscal year.

### Tax Sale Database

We noted that a separate Tax Sale database is created for each annual tax sale auction. Consequently:

- There is no consolidated database where a Tax Sale buyer's balance (i.e. the amounts deposited at the Cashier's Office less refunds issued) is maintained.
- Since Tax Sale buyers are issued a different buyer number each tax sale year, there is no unique identifier across the various tax sale databases which can be used to identify the Tax Sale buyer and obtain his/her balance.
- Non-bidders and non-winners of the Tax Sale are not uploaded to the D.C. General Ledger. As a result, refunds due to these tax sale participants are maintained in a separate database.

Due to the lack of a consolidated Tax Sale database, it is difficult to analyze the total activity per Tax Sale Buyer. We recommend that each tax sale participant be assigned a unique identifier. This identification number should be used to generate a report that details the buyer's complete tax sale history.

Also, all tax sale participants and their tax sale data should be uploaded to the D.C. General Ledger, not just winning bidders. If the Real Property Tax Administration and Adjustment Unit (RPTAAU) maintained all tax sale participant data in the D.C. General Ledger, only one system would need to be reconciled to SOAR.

### *Management's Response:*

Each Tax Sale participant will be assigned a unique identifier for all subsequent tax sales. A tax sale history will be maintained for each entity on a continual basis. The tax sale history will be searchable and will be able to produce a report for each individual entity as necessary. Management will study the feasibility of uploading the complete tax sale bidder database to the D.C. General Ledger using the current system. Requirements for a new system are currently being developed and this will be proposed as one of the system requirements.

### Potential Segregation of Duties Issues

A fundamental concept in a good system of internal control is the segregation of duties. We noted the following during our procedures:

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- When processing refunds, the Returns Processing Administration (RPA), the Problem Resolution Office (PRO), and the Recorder of Deeds (ROD) generally mark manual check requests hold-for-pickup (HFP) so that they are sent back to their administration. This is done so that the refund check can be verified for accuracy before distribution to the taxpayer. However, checks can be sent back to the individual who initiated and/or authorized the refund request.
- The Revenue Officers responsible for collecting delinquent taxpayer accounts receive check and money order payments from taxpayers and have access to post credit adjustments to taxpayer accounts. In addition, they are able to change taxpayer balances by recording various adjustments such as abate penalty and/or interest. They are also able to transfer payments from one year to another. Only a periodic manual review of the credit adjustments is performed by the collection managers.
- The same individuals within RPA who receive taxpayer payments and prepare the deposit also record the payments to taxpayer accounts within the Integrated Tax System (ITS). There is no reconciliation of taxpayer payments posted in ITS to the cash deposited in the bank and cash recorded as received in SOAR.

To enhance controls, management should ensure that refund checks are not returned to the same individual who initiated and/or authorized the refund request. Further, revenue officers should not have access to or receive taxpayer payments. An exception report should be created to monitor the adjustments to taxpayer accounts in ITS. Unusual adjustments or pattern of adjustments should be reviewed by the supervisors of the collection department. The individuals responsible for performing this review should not have access to post adjustments to taxpayer accounts in ITS. Individuals who have access to the taxpayer payments (i.e. cash receipts) and/or who are responsible for preparing the deposit should not have access to record payments or adjustments to taxpayer accounts in ITS. Reconciliations should be performed of payments recorded in ITS, cash deposited per the bank, and cash recorded in SOAR.

### *Management's Response:*

Effective May 30, 2008, the DCFO for OTR issued a delegation of authority ensuring that refund checks were not returned to the same individual who authorized the refund request. This hold for pick up process is now delegated to the Director, Customer Service Administration.

Regarding the procedures related to the delinquent taxpayer accounts, the procedures have been changed so that revenue officers may not input adjustments to accounts assigned to them. An Adjustment Unit has been established to perform input of all adjustments for the Collection Division. Employees within the Adjustment Unit do not have cases assigned to them and therefore they cannot perform adjustments to accounts assigned to them. Adjustments must be approved prior to transmission to the Adjustment unit.

We also concur with the findings and recommendations regarding segregation of duties for individuals with access to payments (i.e. cash/receipts) and/or are responsible for preparing deposits and not having access to record payments or adjust accounts. A review of ITS profiles was conducted and completed. The result was that employees who work deposit activities will not have access to adjust taxpayers' accounts.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### 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 the Homestead applications; this is specifically related to applications received prior to 2004 and processed outside of the Homestead Unit within the Real Property Tax Administration (RPTA) department of OTR.
- 2) Currently, Homestead applications are processed and approved either by the Homestead Unit or Recorder of Deeds Division. There is a lack of a centralized approval process.
- 3) In 1 out of 45 properties selected for testing, we found that supporting documentation related to the Homestead application could not be located.
- 4) We noted that because of the inconsistent reviews of the Homestead applications, there were many instances of individuals receiving multiple Homestead credits for multiple properties. The Homestead credit is only allowed for one property which is the property in which the owner resides in during the year. This lack of reviews has also resulted in a cap credit deficiency, which allowed individuals with multiple properties to receive the cap credit on more than one property.
- 5) In 2 out of 10 properties, selected by us for testing, with duplicate owner's names, we found that both properties were owned by the same individual who received the Homestead credit incorrectly. At our request, OTR then researched its database and determined that the estimated number of incorrect Homestead credits given related to at least 252 properties.
- 6) Certain category of non-individuals, including LLCs, which are ineligible for the Homestead credit, received this credit, to which they were not entitled. These entities also received the Assessment Cap Credit to which they were not entitled.

The District does not appear to have a proper and comprehensive review process in place, which would have allowed them 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:*

Historically, the role of the Homestead Unit was to audit and remove the homesteads; the applications were approved by the Assessment Division.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

The Homestead applications have never been reviewed or approved by Recorder of Deeds (ROD). All functions related to Homestead have now been consolidated in the Homestead Unit for FY 2009.

RPTA has consolidated all functions related to the homestead exemption in the Homestead Unit including the review of all Homestead applications. Each application will receive more rigorous review against information currently in ITS.

OTR is exploring partnerships with the Vital Statistics, the Department of Motor Vehicles, and the Census Bureau to acquire comprehensive data for inclusion in the OTR data warehouse. Audits will be performed annually against data in the expanded data warehouse and questionnaires will be sent to all homeowners who could potentially be receiving a duplicate homestead exemption to request more information.

Management concurs with the recommendations. Please note, these findings do not take into account the recent change in the law which provides that when a property is transferred, the exemption remains for the period in which the transfer occurred. The exemption and cap are removed at the beginning of the next period.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### 2008-05 District of Columbia Public Schools (DCPS)

DCPS is part of the General Fund of the District. However, certain significant processes and procedures at DCPS are conducted independently of the District. Findings related to those processes are detailed below.

#### Grants Management

DCPS has set guidelines on creating payment/drawdown requests. In general, drawdown amounts should not exceed the actual expenditure. Based on an analysis prepared for FY 2007, it appeared that there were instances when the cash receipts requested exceeded the federal expenditures for the corresponding period.

As a result, it was noted that subsequent to year-end in October 2008, DCPS and the Office of the State Superintendent of Education calculated the exact amount overdrawn considering cumulative expenditures incurred over all open phases of various grants. District officials represent that they have sent back approximately \$11,213,000 in overdrawn funds and accrued interest to the U.S. Department of Education.

We recommend that DCPS request federal funds based on its actual expenditures. We also recommend that DCPS develop written procedures for its drawdown process. Those procedures should be consistently performed for each drawdown request.

#### *Management's Response:*

Our drawdowns systematically included accrued expenses and thus resulted in drawdowns in advance of the cash expenditure. We have revised our drawdown procedures to include drawing down grant funds for cash expenditures only, except for the last drawdown of the fiscal year. To ensure that federal drawdowns are received during the correct grant period we include accrued expenditures in our final drawdown for the fiscal year (September 30).

As indicated above, the District has completed an extensive analysis on grant drawdown activity and has returned overdrawn funds to the U.S. Department of Education.

#### Medicaid Provider Programs and Claims

It was noted that the Medicaid Cost Reports for FY 2007, for the seven Medicaid provider programs at DCPS, had not been completed as of the end of FY 2008. Medicaid guidelines require that the report be submitted to the Department of Health Care Finance within four months after fiscal year end. Consequently, DCPS is not in compliance with applicable Federal and state guidelines.

In addition, during our review of 77 Medicaid claims, we noted that 1 of the claims lacked supporting documentation. Also see pages 70-71 for Medicaid disallowances related to DCPS in the current fiscal year.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

We recommend that timelines for completion of the Medicaid cost reports be developed and implemented with the independent third party utilized by DCPS to complete the applicable Medicaid cost reports. DCPS should also maintain its files on hand in a manner that allows for timely retrieval.

### *Management's Response:*

The time for claiming payments for Title XIX (School-Based Programs) expenditures is two (2) Years. This is in accordance with 45 CFR, Section 95.1(a). During the past eight months, DCPS cleared the back-log of outstanding cost reports by completing cost settlements for FY 2003 through 2006. Due to the on-going settlements, DCPS requested and received an extension from the Medical Assistance Administration (MAA) (now Department of Health Care Finance) for the 2007 Cost Report (for the seven Providers). DCPS will submit the Cost Report for 2007 (seven Providers) by June 30, 2009.

With respect to Medicaid claims lacking supporting documentation, DCPS has implemented an electronic document management system which will enhance our ability to manage and retrieve documents.

### Payroll – Timesheets

Sound internal control procedures dictate that time sheets are properly approved, that time sheets are reconciled with the check register hours, and that the master employee file is updated periodically to reflect employee's actual pay rates. We requested timesheets for 50 active employees and noted the following deficiencies:

- 1) For 8 out of 50 transactions sampled, DCPS did not have properly approved time sheets.
- 2) For 2 out of 50 transactions sampled, the hours per the actual time sheets did not agree with the hours per the check register.
- 3) For 15 out of 50 transactions sampled, the actual pay rate did not match the employee master file.

Time cards are the source document supporting the District's labor expenses. A proper review should be conducted to determine that the employees have recorded time only when it had actually been worked and that the allocation of time by category was appropriate and reasonable.

DCPS should also ensure that the payroll calculations are accurate as errors can cause an over or under payment of wages

### *Management's Response:*

DCPS anticipates conversion to the PeopleSoft personnel system in April 2009. This improved system, along with the process redesign work that DCPS is doing in anticipation of the new system will dramatically improve business processes for many functions related to the personnel system.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

DCPS payroll personnel review each time sheet for evidence of supervisory approval prior to processing in the Comprehensive Automated Personnel Payroll System (CAPPS). We are continuing to improve our record retention procedures by implementing an electronic filing system. We anticipate the use of the electronic filing system will improve our ability to locate authorized original and revised timesheets.

### Disbursements

- 1) We reviewed 105 disbursements made during FY 2008 and DCPS could not locate the supporting documentation for 1 item.
- 2) We reviewed 45 direct disbursements and noted DCPS lacked supporting documentation for 2 of the direct disbursements.
- 3) We reviewed 54 subsequent cash disbursements and noted that 4 items, totaling approximately \$7,000,000, were not properly accrued for in FY 2008 by DCPS management. The amounts were related to construction and food service expenditures and were adjusted during the audit process for year-end financial statement presentation.

We recommend DCPS follow its existing policies for maintenance of supporting documentation. More detailed analysis needs to also be considered in analyzing disbursements to ensure they are reported in the proper period.

### *Management's Response:*

We will revise our current internal policies and procedures to further incorporate the integrated features of SOAR, the District's official accounting system of record. Individuals responsible for approving vouchers and journal entries have been counseled to review each transaction for sufficient evidential support. Further, DCPS will work to ensure that all subsequent disbursements are properly accrued in the proper fiscal year.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### 2008-06 Management of the Postretirement Health and Life Insurance Trust

#### Plan Governance

For any retirement and other employee benefit plans, the Plan Document is the legally binding document that defines the benefits, eligibility, and administration of the plan's activity. The Plan Document further defines the responsibilities of the Plan Sponsor and Administrator.

The District, the Plan Sponsor, has not completed a Plan Document for the Postretirement Health and Life Insurance Trust (the Plan). As of April 1, 2008, the Plan has 254 teachers, police officers, and firefighter retirees and 44 regular District retirees. Teachers, police officers, and firefighter retirees are administered by the District of Columbia Retirement Board (DCRB) and others are administered by the District's Department of Human Resources (DCHR).

Due to the lack of Plan Document, the responsibilities of the administration of the Plan are not clearly defined and retirees may not be fully aware of the postretirement benefits that are available to them. The lack of a Plan Document results in unclear processes and administration responsibilities within the District. It can also increase the risk of disputes over benefit entitlements, enrollment eligibility, and participants' responsibilities.

We noted that the District has set up an irrevocable trust for the Plan, effective September 30, 2006. However, the trust does not define the terms of the Plan. We continue to recommend that a comprehensive Plan Document be prepared and implemented as soon as possible.

#### *Management's Response:*

A primary reason that a Plan Document has not been completed is that the level of post-employment benefits has been under review and consideration by the City Administrator and the Department of Human Resources (DCHR) for possible revision. This review should be completed during FY 2009, and once the level of benefits is confirmed or revised, a formal Plan Document can and will be developed. However, the D.C. Code outlines eligibility requirements, the level of post-employment health and life insurance benefits, and the respective portions of the cost of these benefits to be covered by the District and the former employee(s).

In addition, employees complete an application to continue or discontinue their benefits into post-retirement at the end of their employment tenure. Those who elect to continue benefits into post-employment receive a letter from DCHR outlining the benefits selected, the cost, and the procedure they should follow to make premium payments.

Administrative and investment responsibilities are divided between the Office of Finance and Treasury (OFT) and DCHR. OFT is responsible for the investment and management of trust fund assets as stated in the written trust agreement. Trust fund assets are invested in accordance with a written Investment Policy and are reviewed on a regular basis with an investment consulting firm and the fund's investment managers. DCHR works with employees transitioning to retirement status and provides them with the counseling and information needed to maintain their benefits.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Plan Investments

Currently, the Plan maintains an investment policy which appears insufficient to monitor activities. While it does outline an investment allocation and segregation of duties, it lacks documentation for regular recordkeeping, custodial processes, and management processes. We also noted a variety of other concerns in connection with the administration of the investments. Specifically, we noted the following:

- 1) The investment policy does not consider accounting treatment requirements and valuation risks associated with various types of financial instruments.
- 2) The District did not follow its own investment policy parameters. We noted that while the policy only allows for up to 10% in alternative investments, almost 21% of the funds were invested in alternative investments.
- 3) A team of 2 members at the Office of Finance and Treasury (OFT) made all investment decisions for FY 2008.
- 4) OFT relies on quarterly investment reviews from a third party, and yearly evaluations from each of the fund managers for assessment of fund performance and valuation. OFT does not review these for reasonableness. In particular, we noted that investment income had not been reviewed for reasonableness, accuracy, or completeness.
- 5) Despite confirmation that the BlackRock investment is an alternative investment type, OFT did not perform valuation procedures required by the accounting standards to have sufficient information to evaluate and independently challenge the fund's valuation and assess the composition of the underlying assets. Management is responsible for the fair value of alternative investment amounts as presented in the financial statements, and OFT currently outsources this responsibility to a third party. Outsourcing this function does not eliminate management's responsibility.

As a result, management did not appear to have sufficient information to evaluate and independently challenge the fund's valuation. Management also did not have a documented process for determining the estimated fair value of the investments. Audited financial statements for alternative investments should have been obtained and evaluated by management. The Plan was not able to produce BlackRock's audited financial statements.

- 6) Management fees are charged for each of the funds in the Trust, but they are not regularly monitored, recorded, or reviewed.

Investment management activities carried out during the year were not sufficient to monitor the different funds in the Trust. We recommend an amendment to the investment policy in order to clearly define controls and processes. This will help ensure that funds are allocated appropriately to achieve the greatest benefit and that investment income is accurate, complete, and reasonable. The investment policy should also include provisions for the preparation of monthly reconciliations, the recording of all management fees and investment income, and appropriate managerial valuation of alternative investments.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

The District may consider the establishment of an investment committee which would be entrusted with the task of managing the funds. Consideration may also be given to external consulting with investment specialists. As the securities markets have become more volatile, the District has to more closely and frequently monitor interest rate and market changes, maturity dates, interest and dividend receipts, economic developments, etc., and make decisions about how to invest new money or maturing instruments.

### *Management's Response:*

The investment policy was not intended to cover administrative issues such as recordkeeping and the custody of assets. We will review the written procedures we developed for the Plan and adjust them to include record keeping and the custody of assets. We are in process of amending our investment policy and we will consider the suggestions made to include provisions regarding the accounting and valuation of our financial assets. Investment decisions were properly reviewed and approved in 2008. The investment of available cash is reviewed with our investment advisor and its recommendations are then reviewed at OFT. Investments are made in accordance with investment policy and our asset allocation guidelines. The Trust Fund's Investment Policy clearly establishes authority and responsibility by assigning duties to senior members of the Office of the Chief Financial Officer (OCFO). In Section 2, it assigns the responsibility for the approval of investment strategies to the Deputy Chief Financial Officer and Treasurer. This Section also assigns responsibility for the review and reporting of the financial condition of the fund to the Associate Treasurer for Asset Management. A new Associate Treasurer with extensive investment experience was hired in September 2008 and he has augmented the investment team.

We disagree with the statement that the District did not follow its investment policy. We assume that this statement refers to the investment in the BlackRock Growth Fund. We do not consider this an alternative investment, and this conclusion is supported by our investment advisor. Sections 7 and 8 of the Investment Policy clearly outline asset allocation procedures, the criteria for determining approved investments and the use of appropriate benchmarks. Investments in assets such as mutual funds and collective investment funds are specifically authorized investments and are considered a potential investment vehicle to implement designated asset classes e.g., equity mutual funds or collective funds are considered equities for the purposes of asset allocation. We will, however, clarify how the asset allocation strategy takes into consideration various investment vehicles and their underlying assets when we amend the investment policy.

The Fund has an independent investment advisor who reviews investment performance on a monthly and quarterly basis. The quarterly review is more comprehensive in nature including an analysis of the performance of individual investment managers including specific analysis of the underlying holdings within the portfolios. It also provides a review of the total fund performance relative to the market and peers by using a custom benchmark and peer universe comparisons, The report will review the current asset allocation of the Fund to be sure it is compliant with the target policy ranges.

BlackRock's custodian independently values the holdings in the fund. During the preparation of the quarterly reports, the consultant independently reviews the valuation of the securities held in the BlackRock Fund, Copies of this review are distributed to senior management. Audited financial statements are available for BlackRock. The fund holds large capitalization, widely traded companies such as Walt Disney Co., Wal-Mart Stores, Exxon Mobil, and Johnson and Johnson.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

We have a copy of the audited 2007 financial statements and a draft of the 2008 report. The final 2008 audit is expected shortly. The availability of financial audited financial statements and input from our independent consultant provides us with the basis to judge the adequacy of the fund's valuation process.

We meet with the investment managers at least annually. Our investment advisor attends these meetings to provide an independent perspective on the presentations. Our investment advisor holds periodic meetings separate from our collective meetings to monitor the firm and performance and provides formal due diligence write-ups to the OCFO. OFT remains abreast of the current market environment through conference calls and topical research pieces from the investment consultant in addition to discussions at quarterly meetings.

Fund reports are reviewed by management and formal presentations by fund managers are also reviewed by management and a representative from our investment consulting firm. OFT cannot and does not delegate its responsibilities to a third party. We use a consultant to provide an independent perspective on the performance of the investment managers and their funds. The responsibility to make changes based on this input rests with us.

Management fees are calculated separately for only two of our investments. These are the Bernstein Growth and Value Funds. Bernstein provides invoices on a quarterly basis and they are reviewed by OFT. The remaining fees are charged through mutual fund expenses and they are reviewed as part of the annual audit of the trust fund.

During FY 2008, we began reconciling the investment accounts on a monthly basis. These reconciliations are sent to the Associate Treasurer for review. We will consider establishing a formal Investment Committee to review investment policy, fund performance, and conformity to the fund's Investment Policy. However, we feel that our current processes are effective.

### Contribution and Premium Payments

#### *Premium Payments*

During our procedures over premium payments (employer portion), we noted the following:

- 1) For the first ten months of the fiscal year, premium payments were not paid from the Trust's account, even though that was one of the purposes of establishing the Trust.  
The Bureau of Public Debt (BPD) received bills from the insurance carriers and paid them as they were received. The District's Office of Personnel Management (OPM) and Office of Finance and Resource Management (OFRM) reimbursed BPD for the monthly employer premium payments. In some months, the insurance providers billed the District directly, and those payments were also made from OFRM and OPM. In essence, the District was paying for the premiums on behalf of the Plan.
- 2) Money was contributed to the Trust specifically to make premium payments under the provisions of the Plan. However, the District was paying for these retiree benefits without any requests for repayment. Additionally, these expenditures were not approved or allowed for within the District's budget and the premium payments were made without proper verification of budgetary authority.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 3) Payment from the District's General Fund as opposed to payments from the Trust results in a liability from the Plan to the District which had not been established on the books of the Plan.
- 4) The total amount of payments made by the District on behalf of the Plan is estimated to be approximately \$1,800,000.
- 5) A proper chain of responsibility over insurance billings has not been established, as invoices were sent to and paid by different agencies at different times of the year.

### *Contribution Payments*

Under new standards issued by the Governmental Accounting Standards Board, the District had its Postretirement Health and Life Insurance Trust (the Plan) audited for the first time in FY 2007. The District is required by law to ensure that any funds earmarked from the General Fund which are to be contributed to a benefit plan are included in the approved budget and properly reserved.

- 1) We noted that over \$37,000,000 of contributions to the OPEB Trust were made since 2003 without proper budgetary authorization. These contributions were made from the accumulated General Fund "budgetary savings" which were a result of the District funding a significant portion of its required contributions to the separate 401(a) Plan from various 401(a) Plan forfeitures. We also noted that pay-as-you-go employer contributions in the amount \$4,583,433 made since 2002 were paid out of the General Fund. The District's pay-as-you-go contributions should be paid out of the Plan's assets.
- 2) In an attempt to correct this, during FY 2008, the Plan offset the aforementioned unapproved contributions, including interest earned for a total amount of \$56,000,000 from the \$110,000,000 set aside to fund the Plan for FY 2008.
- 3) However, the \$56,000,000 owed to the District remained with the Plan for an additional 9 months through the end of June 2008. The Plan did not calculate and submit any additional interest incurred during this additional holding period.
- 4) During FY 2008, another unapproved and unreserved for payment was made by the District to the Plan and amounted to \$5,400,000. The Plan did refund the money in June 2008, but did not repay the interest accrued on the investment.

The District should verify that budget authority for all proposed payments exists before transfers are made from the General Fund. We recommend management ensure adequate controls are in place over the contributions and disbursement process.

### *Management's Response:*

This issue was corrected in FY 2008. The District was reimbursed for expenses incurred in FY 2008. Requests for reimbursements are sent directly to OFT for processing.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

All pay-as you go contributions were paid out of the Plan assets in FY 2008 and we continue to pay these costs from the trust fund. The plan to reimburse the District for unapproved contributions was made as a result of last year's audit. The interest on these contributions was calculated by our investment advisor, EAI. Interest was calculated through September 30, 2007 and once the calculations were completed we processed the transaction as soon as possible.

The comments related to this problem were made at the end of March 2008 and the correction was made in June 2008. The \$5,400,000 million investment was made at a price of \$11.26 per share and we purchased 476,808.682 shares of the BlackRock fund. The redemption in June was made at \$9.88 per share. We sold an additional 66,600 shares to make the District whole on this transaction.

If we sold the original number of shares, we would have incurred a loss of \$658,000. Selling additional shares more than offset any interest accrued on the investment. Please note that BlackRock's financial report indicted that the fund earned net investment income of \$.04 per share per year while these monies were in the fund.

Transfers are not made from the General Fund unless an appropriation has been authorized.

### Participant Data and Retiree Folders

The Postretirement Health and Life Insurance Trust (the Plan) needs to improve its record-keeping over retirees and active personnel. During our procedures, we noted the following:

- 1) We were not provided with adequate support for 6 of the 72 sample items requested by us for testing for participants and active employees.
- 2) For all the participant's files reviewed, the hire data listed in the database did not exactly agree to the hire date per the retirees' file.
- 3) Several of the participant folders reviewed did not have the benefits enrollment form.
- 4) For some participant files reviewed, date of birth per the files did not agree with the date of birth per the database used by the actuary for valuation purposes.
- 5) The District of Columbia Retirement Board was unable to locate 2 files and the Metropolitan Police Department was unable to locate 1 file.
- 6) The database did not include proper employees' ID or Social Security Numbers, which is necessary to uniquely identify each annuitant or survivor.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 7) There are no records of whether the general retiree portion of premium payments, which are mailed to the District's Department of Human Resources (DCHR) were received and recorded by the Office of Finance and Treasury (OFT), and forwarded onto insurance carriers. OFT was unable to confirm the amount due from retirees.
- 8) Completeness of data used for actuarial calculation purposes is problematic since the actuary obtains the data from multiple sources and then modifies it for inclusion in the actuarial valuation.

We recommend a formal oversight process be implemented over the Plan to resolve these issues.

### *Management's Response:*

Management concurs with some of the issues and understands there are some control deficiencies. OFT management will work closely with the District of Columbia Human Resources (DCHR) and the District of Columbia Retirement Board (DCRB) to ensure that personnel data, retiree premium payments, and other information that is included in the actuarial calculations is complete and accurate. We will look to incorporate audit recommendations into policies and procedures for FY 2009.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### 2008-07 Noncompliance with 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 of Columbia 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. The United States Government Accountability Office issued a report in January 2007, which indicated that approximately 2/3 of the District's \$1.8 billion of procurement in FY 2005 was processed through OCP. While District personnel represent the procurement percentages have not changed significantly for FY 2008, District personnel were not able to provide specific percentages for FY 2008.

Several other District entities 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 issues noted during our test work performed in conjunction with the audit of the FY 2008 Comprehensive Annual Financial Report.

#### Database Review

While the selected agencies provided contract information, these agencies could not confirm the completeness of this information. The absence of a tracking tool or a 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 the contracts field in the Procurement Automated Support System (PASS) is not a required 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 currently has several database systems that work independently of the Procurement Automated Support System (PASS). In FY 2009, OCP, in conjunction with the Office of the Chief Technology Officer, will enhance the functionality of the PASS system by implementing the contracts and sourcing modules. These new modules will not only make the stove pipe programs obsolete by performing their functions, but will also increase the accuracy of information and create a centralized tracking system to be used by all contracting agencies.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Approval Process and Other District of Columbia Municipal Regulation (DCMR) Issues

We noted the following during our audit process:

- 1) *Failure to Provide Contract Files* – There were 9 instances at OCP where no file was provided; hence, we were unable to test the files.

We also noted that DCPS could not provide contract files for 3 of the 25 contracts selected for testing. In addition, we noted that although the budget authority for various transactions is the responsibility of DCPS, the procurement process was handled by the Office of Public Education Facilities and Modernization (OPEFM). However, there does not appear to be adequate coordination between the two agencies and DCPS does not maintain any documentation relating to procurement of these goods or services, which are reflected as part of its costs.

- 2) *Approvals for Legal Sufficiency* – There were 3 instances during which certain agencies selected for testing failed to provide evidence of the Office of Attorney General's review and approval of the contract for legal sufficiency. There were 2 missing approvals at OCP and 1 at CFSA .
- 3) *Failure to Provide City Council Approval* – Evidence of Council approval for contracts over \$1 million was not provided for 1 contract selected for testing at CFSA.
- 4) *Failure to Provide Business Clearance Memorandum (BCM) Approvals* – There was 1 instance at CFSA during which the required Business Clearance Memorandum was not provided.

We also noted 3 instances at OCP where the BCMs were provided, but they were not approved.

- 5) *Failure to Provide All the Required Determination and Findings (D&F)* – There were 11 instances during which not all the required D&Fs were provided from the agencies selected for testing as follows: 4 from OCP; 1 from CFSA; 2 from DMH, and 4 from DCPS.

We also noted 2 instances at OCP and 1 instance at CFSA where the required D&Fs were provided, but they were not approved.

We also noted yet another instance at CFSA where the D&F sole source had an inconsistent amount as compared to the contract.

- 6) *Review and Certification of Sole Source Contracts by the Chief Financial Officer* – We noted that there were 2 sole-source contracts that were extended or renewed where review and certification by the Chief Financial Officer was not provided. There was 1 instance at OCFO and 1 instance at CFSA.
- 7) *Inadequate Documentation of the Significant History of the Procurement* – We noted 1 instance where CFSA was unable to provide evidence of significant history of the selected procurement.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 8) *Lack of Documentation of Full and Open Competition* – We noted 1 instance where CFSA was unable to provide evidence of full and open competition of the selected procurement.
- 9) *Failure to Provide Cost Price Analysis* – There were 5 instances at OCFO and 2 instances at CFSA where the file reviewed lacked evidence that a cost/price analysis was performed.
- 10) *Review of Compliance with Tax Requirements* – There was 1 instance at OCP, 1 instance at D.C. Public Library (DCPL), and 1 instance at DCPS where the tax certification affidavits were not notarized. In addition, there were 2 instances at CFSA where we were not provided with tax verification responses from both the Department of Employment Services (DOES) and Office of Tax and Revenue (OTR).

We also noted 5 instances at CFSA where the tax verification responses were provided but were not timely for the contract period.

- 11) *Lack of Evidence of Review of the Debarment, Suspension, and Ineligibility List* – There were 2 instances at DMH and 1 instance at DCPS where the files lacked adequate documentation regarding the procedures for checking against the Federal Debarred and Suspended List and the District's Excluded Parties List.
- 12) *Failure to Provide Evidence of Contractor Evaluation* – We noted 3 instances at CFSA and 7 instances at OCP where contractor evaluations were not provided.
- 13) *Review of Contracts for Accrued Expenses* – We also noted that transactions were recorded as accrued expenses and were not supported by valid contracts prior to the services being rendered.

DCMR states that files shall be maintained at organizational levels that ensure effective documentation of contracts, ready accessibility to principal users, and conformance with any regulations or procedures for file location and maintenance.

Orderly filing should be maintained to insure proper control over all supporting documentation. The result was that employees spent nonproductive time searching for needed documents. This condition could also present problems when documents are needed in support of various reports subject to audit by us or governmental agencies.

We recommend that closer oversight and monitoring controls be placed over document maintenance and retrieval processes throughout the District's procurement process. The District must follow its existing policies for documentation and approval of transactions. Special focus should be placed on ensuring that all agencies conform to the regulations and are accountable at a centralized level. Management at the contracting offices should perform a periodic review and design checklists which must be approved by supervisory personnel prior to being filed.

We also recommend that the District consider performing an assessment of the current training program available to contracting personnel. Focus should be placed on ensuring that these employees are trained in the compliance regulations applicable to contracts.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

The training program should assist in the employees obtaining the requisite tools needed to carry out their daily assignments. Training needs to be consistent and ongoing and not be considered as a quick fix to a long term problem. The District must also retain personnel with the appropriate competencies to ensure that procurement as a major process is guided properly.

### *Management's Response:*

In FY 2008, OCP reclassified the position description for file manager (versus the old file clerk) to bring the proper attention to the importance of file maintenance.

After a lengthy search, OCP hired a contract file manager and established a new database record file system and a process to collect, inventory, retain and archive all OCP controlled contract files. The database was created to track the files and to record its content. The Contract File Preparation policy has been implemented which provides the necessary guidance to contracting personnel for contract file contents. Additionally, the newly established Office of Procurement Integrity and Compliance will work closely with the contract files manager to routinely conduct random audits of files to ensure compliance with the Contract File Preparation policy.

As OCP improves its contract filing and maintenance system, OCP will share the system with other District procurement agencies including CFSA, DMH, DDS and all other independent agencies. To address training concerns, the agency training section is in the process of developing a training/certification curriculum; we expect to be able to award this contract to a vendor in the second quarter of FY 2009. A course of instruction will be rolled out to all contracting staff and to agencies wishing to have limited contracting authority. Agency contracting staff will be required to maintain a certain level of procurement certification to ensure that we have the appropriate level of competence and consistency within the agency.

### Purchase Order Splitting

We noted that there were purchase orders issued to the same vendor for similar services within a twelve month period. There were 19 instances during which we did not receive evidence of approval from the City Council and 17 instances of lack of evidence of approval from the Office of the Attorney General (OAG) for short-term purchase orders which were individually less than \$1,000,000 but cumulatively totaled over \$1,000,000.

- 1) There were 15 instances at OCP where there was no evidence of City Council approval.
- 2) There were 4 instances at OCFO where there was no evidence of City Council approval.
- 3) There were 15 instances at OCP where there was no evidence of OAG approval.
- 4) There were 2 instances at OCFO where there was no evidence of OAG approval.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### *Management's Response:*

The issuance of multiple purchase orders to the same vendor is not necessarily indicative of purchase-order splitting. However, the value of a central procurement organization, such as OCP, is that the organization recognizes the need for more term contracts by virtue of the fact that we see the separate requisitions of multiple agencies for the same good or service. By reorganizing in the fall of 2008 to have our contracting personnel assigned to specific commodities instead of agencies, we are now in a position to reorganize and reduce multiple purchase orders for the same items.

This procurement method will be implemented to a greater extent in FY 2009. The result is that the purchases are then made under an existing contract that reflects economies of scale in pricing and that the need for stand-alone purchase orders to the same vendor no longer exists. OCP had not found circumstances where there have been instances of purchase order splitting; therefore, with the development of more term contracts, we feel confident that the appearance of purchase-order splitting will be significantly reduced.

### Limited Competition Small Purchase Threshold

Contracts for purchases from 22 vendors which cumulatively exceeded the dollar threshold for small purchases for all other agencies were not provided. There were 21 such instances at OCP and 1 instance at DCPL.

### *Management's Response:*

Multiple agencies and specifically multiple divisions within an agency can purchase goods and services from the same vendors. However, these purchases must be viewed individually not in the aggregate. The Chief Procurement Officer (CPO) recognizes his responsibility to ensure a transparent procurement process and appropriate management controls at all District agencies conducting contracting activities.

The CPO will continue to conduct bi-monthly meetings among the contracting officers of District agencies with independent contracting authority to address common procurement issues. Additionally, OCP will continue to conduct training seminars open to all contracting personnel, regardless of agency, to promote standardization and compliance with applicable statutory and regulatory requirements.

### Competitive Small Purchases

#### *Lack of Compliance with Competitive Small Purchases Requirement of One (1) Oral Quote*

Out of a sample of 77 vendors, the agencies selected for testing failed to provide one (1) oral quotation for 65 purchases from 30 vendors. This deficiency was noted at both the Independent Agencies and OCP and is summarized as follows:

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 1) There were 3 purchases at DMH from 3 vendors.
- 2) There were 2 purchases at CFSA from 1 vendor.
- 3) There were 3 purchases at OCFO from 2 vendors.
- 4) There were 57 purchases at OCP from 24 vendors.

### *Lack of Compliance with Competitive Small Purchases Requirement of Three (3) Oral Quotes*

Out of a sample of 77 vendors, the agencies failed to provide evidence of three (3) oral quotations for 70 purchases from 39 vendors as follows:

- 5) There were 8 purchases at DMH from 4 vendors.
- 6) There was 1 purchase at CFSA from 1 vendor.
- 7) There were 5 purchases at OCFO from 2 vendors.
- 8) There were 56 purchases at OCP from 32 vendors.

### *Lack of Compliance with Competitive Small Purchases Requirement of Three (3) Written Quotes*

Out of a sample of 77 vendors, the agencies failed to provide evidence of three (3) written quotations for 58 purchases from 31 vendors as follows:

- 9) There was 1 purchase at DMH from 1 vendor.
- 10) There were 2 purchases at OCFO from 3 vendors.
- 11) There were 55 purchases at OCP from 27 vendors.

### *Management's Response:*

In FY 2009, OCP hired two Assistant Directors to supervise the procurement of goods and services as well as construction services for the District. These new managers are responsible for ensuring that the agency has complete regulatory conformity of all contracts and small purchases. In addition, the Office of Procurement Integrity and Compliance will be responsible for routine audits of all contract files. A small purchase checklist has been established to ensure that copies of the quotations are included in the file.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Ratification Process and Friendly Lawsuits Process

Although the District discontinued the ratification process on March 29, 2008, we noted that agencies continued to obtain services without the existence of a valid contract. To address this issue, OCP implemented a friendly lawsuit process whereby the vendors can sue the District in an attempt to recover amounts owed. We noted however that between March 30, 2008 and August 28, 2008, there was no evidence of a policy in place to address the issue of noncompliance relating to contracts. During the audit, we noted that agencies reported items totaling \$3,456,884 which were incurred without a valid contract.

It is recommended that the District reevaluate the policy regarding instances of noncompliance with procurement laws which address securing the services of vendors without a written contract.

### *Management's Response:*

In 2007, the CPO placed both vendors and agencies on notice that it was illegal to enter into an agreement without a valid contract, and that ratifications will no longer be approved routinely by OCP as of March 29, 2008. Performance without a contract places the District at risk for unknown penalties, and cannot be tolerated.

As part of a one-time effort to address these requests without resorting to the ratification process, OCP and the Office of the Attorney General (OAG) have agreed for a limited period of time to a uniform procedure under which the OAG will consent to a court order, on behalf of the District government, to pay a vendor that has provided goods or services without a valid written contract. Specifically, this consent procedure will be available through January 30, 2009. After that point, it is the total responsibility of the agencies to resolve any unlawful commitments that their personnel have entered into.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### 2008-08 Noncompliance with the 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:

- The date on which payment is due under the terms of the contract for the provision of the property or service;
- 30 calendar days after receipt of a proper invoice for the amount of payment due;
- 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
- 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:

- Each District agency shall file with the Mayor a detailed report on any interest penalty payments made.
- 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.
- 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, 2008, we noted 280 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, 2008

### 2008-09 Noncompliance with the Financial Institutions Deposit and Investment Amendment Act

For collateral requirements, the Financial Institutions Deposit and Investment Amendment Act, among other requirements, dictates the following:

*Except for securities directly purchased without a repurchase agreement and money market funds, an eligible financial institution must at all times provide collateral equal to at least 102% of the District funds held by the eligible financial institution for deposits and investments that are not fully federally insured.*

During our procedures, we noted 7 instances of noncompliance with the aforementioned provision, where the collateral held by the District's investment custodians was less than 102% of the value of the particular investment.

- Noncompliance occurred in October 2007, with respect to the collateral held by the following Federal Reserve Bank Pledge Holdings bank accounts: Adams Bank, Bank of Georgetown, and Cardinal Bank.
- Noncompliance occurred in November 2007, with respect to the collateral held by Adams Bank.
- Noncompliance occurred in February 2008 and July 2008, with respect to the collateral held by Independence Bank.
- Noncompliance occurred in July 2008, with respect to the collateral held by Bank of America.

We also noted that the District did not prepare collateral reports on a monthly basis throughout the year.

We recommend that District personnel closely monitor the collateral held by custodians, to ensure that the District remains in compliance with the requirements of this law.

#### ***Management's Response:***

The 7 instances cited in the finding are explained as follows:

- One of them was resolved the very next day after it occurred and after being identified by the District's daily monitoring.
- Two of them related to an agency account for which there was a dispute between the bank and the agency regarding whether a portion of the funds was due to the bank for services rendered, and the bank would not return the funds or increase the collateral until a settlement to the dispute was reached. The Treasurer directly intervened and worked with the agency and the bank to resolve the dispute. The issue was resolved in July 2008. The District was not able to increase the collateral during the dispute.
- The remaining instances cited occurred in the first quarter of the fiscal year, prior to the conclusion of last fiscal year's audit, and were corrected in the first quarter of the fiscal year, and have not recurred, as enhanced procedures were implemented at that time to ensure that this requirement is continually met with all accounts.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### 2008-10 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: (1) 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 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, 2008, the Child and Family Services Agency (CFSA) had overspent its local budget by approximately \$82,900,000 million and the District of Columbia Public Schools (DCPS) had overspent its local budget by approximately \$26,600,000 million, thus violating the Anti-Deficiency and Home Rule Acts. 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 and DCPS, respectively.

#### *Management's Response:*

After the release of the 2007 Comprehensive Annual Financial Report (CAFR) highlighting inadequate billing practices as a material weakness for the District, the Administration made a commitment to conduct and pursue comprehensive audits from past fiscal years to determine and correct years of billing mismanagement. As a result, the Department of Health Care Finance (DHCF) (formerly the Medical Assistance Administration) conducted an audit of FY 2004 and 2005 for CFSA and FY 2003 through 2006 for DCPS. Based upon the audited cost reports, the potential disallowances are primarily the result of:

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- Poor or nonexistent documentation of services provided;
- Improper billing to the Medicaid program when other sources of funding were available; and
- Duplication of billing.

CFSA has established a monthly internal audit process to investigate Medicaid claims and has instituted strict requirements for any claims identified as lacking sufficient documentation. DCPS is ensuring better documentation of services provided through utilizing a new electronic data system and archiving key documents, in addition to changing the billing structure associated with the liabilities named above.

DHCF is coordinating efforts to reform the District's Medicaid billing practice to significantly reduce the risk of future liabilities related to the Medicaid Program. Led by the Public Provider Liaison Unit, progress at DHCF includes:

- Establishing a more active role in the Medicaid audit contract process;
- Reviewing current claims and developing corrective actions steps for agencies;
- Developing guidance and training sessions for agencies on adhering to Federal and District requirements; and
- Working with DCPS and CFSA on alternative health care delivery system options to minimize potential disallowance risk in the future. For example, DHCF will implement a CMS-approved cost-allocation report for DCPS. In addition, DHCF is working with CFSA to shift the risk to the provider instead of CFSA by having them bill DHCF directly.

DHCF has partnered with The George Washington University Medical Center to produce a comprehensive analysis report on Medicaid claims processes. This effort will guide DHCF in the development of an Administrative Services Organization (ASO) to streamline Medicaid billing. The report was released on November 21, 2008 and has informed the development of a request for proposal for an ASO. This draft Request for Proposal (RFP) has been completed with a projected award in summer of 2009.

DHCF is also actively analyzing options for negotiations with CMS regarding the total audit liability as well as its legal options in response to potentially improper advice regarding Medicaid revenue maximization.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Section III – Federal Award Findings and Questioned Costs

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-11	U.S. Department of Health and Human Services  Medical Assistance Program Cluster CFDA Number: 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	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 – DOH 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 DOH did not identify cancelled or uncashed checks over 180 days after issuance and refund the corresponding FFP in a timely manner. The Office of Financial Operations and Systems (OFOS) provides a list of cancelled and uncashed checks to DOH once a year, usually in June or July, listing cancelled and uncashed checks for the preceding calendar year.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

DOH reviews the list of cancelled and uncashed checks and determines whether to reissue a new check. However, based on DOH'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 DOH's compliance with specified requirements.

Effect – DOH 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 – DOH 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 DOH 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 DOH identify cancelled and uncashed checks over 180 days after issuance for FY 2008 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 – DOH 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 DOH-Medical Assistance Administration 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.

DOH/Department of Health Care Finance (DHCF) requested that the Office of Financial Operations and Systems (OFOS) change the District 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 is producing a listing of escheated warrants for the Medicaid program on a quarterly basis.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-12	U.S. Department of Health and Human Services  Medical Assistance Program Cluster CFDA Number: 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028, 05-0805DC5048 Grant Award Period: 10/1/07-9/30/08	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 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.

DOH 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 DOH.

We reviewed a sample of 20 rebates from drug manufacturers during FY 2008 totaling approximately \$2 million. During our review, we noted that the 6 of the 20 rebates sampled totaling \$396,796 were received after the 30 day deadline. Specifically, 4 of the 6 rebates were received at least 10 days or more past the deadline and 2 of the 6 were received 5 days past the deadline. DOH did not calculate the interest amount for late payment nor did it require any of the 6 manufacturers to pay the late interest charge.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

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

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

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

Recommendation – We recommend that DOH comply with Federal regulations and require drug manufacturers to submit rebates within the 30 day timeframe. In addition, for any late payments, we recommend that DOH require drug manufacturers to calculate and include interest payments along with the rebate amount.

Views of Responsible Officials and Planned Corrective Actions – The Department of Health Care Finance (DHCF) received interest payments from some, but not all, drug manufacturers on late payments of drug rebates during FY 2008. Effective 8/6/09, DHCF has changed its policy to collect interest from all drug manufacturers for the late payment of drug rebates. This policy change has been communicated to the rebate manager, ACS.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-13	U.S. Department of Housing and Urban Development  Housing Opportunities for Persons with AIDS CFDA Number: 14.241 Grant Award Number: DCH07-F001 Grant Award Period: 10/1/07-9/30/08	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 program for the drawdown of funds:

- Program payments require the use of the modified average clearance funding technique and a clearance pattern of 5 days and the amount of 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 5 drawdowns made during FY 2008 totaling \$4,889,340 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. DA8HAA30 and DA8HAA63 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DA8HAA30 and DA8HAA63 included expenditures in the amount of \$1,061,929 which had not been disbursed when the requests for the drawdowns were made.

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. DOH's requests for federal funds for the program were not based on the exact amount of the actual disbursements. Interest may be owed to the Federal government. In addition, 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.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

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.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. However, management does not concur that drawdowns were requested before expenditures were disbursed.

This HOPWA grant has unique draw requirements outside of the CMIA. Unlike other Federal grants, where the Office of the Chief Financial Officer (OCFO) initiates a draw as expenditures are incurred by requesting funds through PMS, the HOPWA grant is handled differently. In order to obtain reimbursement, Program Management must create a voucher into HUD's Integrated Disbursement and Information System (IDIS) by inputting subrecipient expenditures by category. Then Program Management sends a request to the DOH Financial Office to approve the request for funds entered into IDIS. Funds become available after three working days.

Management has worked to amend the CMIA agreement to reflect a realistic time frame for drawing the HOPWA grant. A new methodology was implemented in the fourth quarter of FY 2008 that requires drawdowns monthly.

The two revenue cash receipts questioned were incorrectly coded on the CMIA schedule for Grant 73HOPA. Revenue Cash Receipt DA8HAA30 should have been DA8HAA63. The revenue for DA8HAA63 was drawn on September 22, 2008 against expenditures paid in July 2008. Treasury does not require District agencies process journal entries that reclassify revenues on the CMIA schedule.

In an attempt to avoid posting a receivable on the 73HOPA grant at the end of the fiscal year, the OCFO applied the last draw in September 2008 to the 73HOPA grant. As a result, revenue cash receipt DA8HAA63 gave the appearance that funds were drawn before expenditures were disbursed.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-14	U.S. Department of Health and Human Services  State Children's Health Insurance Program CFDA Number: 93.767 Grant Award Number: 05-0805DC5021 Grant Award Period: 10/1/07-9/30/08	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 State Children's Health Insurance Program 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 12 out of the 72 drawdowns made during FY 2008 totaling \$398,808 and noted that 2 of the 12 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8MAD01 and DA8MAD02 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 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.

Cause – DOH 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, 2008

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.

Views of Responsible Officials and Planned Corrective Actions – Documents DA8MAD01 and DA8MAD02 are administrative draws. We agree that the draws were not in compliance with the requirements of the CMIA. In FY 2008, the payroll expenditures were spread over several Appropriation Years (AYs) and different funds. It took a significant amount of time to compile the data in order to determine the correct amount to draw. Once we arrived at the correct amount, the draw was completed promptly. The non-payroll services expenditures were analyzed to determine if they were recorded in SOAR, the District's accounting system of record, correctly. After the analysis was completed, the draw was completed promptly.

In FY 2009, Medical Assistance Administration was carved out of the Department of Health and established as a separate agency. All of the issues that prevented timely draws in FY 2008 disappeared and we are able to draw funds in compliance with the CMIA.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-15	U.S. Department of Health and Human Services  Medical Assistance Program Cluster CFDA Number: 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	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 Medical Assistance Program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of the disbursement.
- Provider payments require the use of the 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 12 out of the 72 drawdowns made during FY 2008 totaling \$173,378,231 and noted that 2 of the 12 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8MAD01 and DA8MAD02 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 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.

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, 2008

Views of Responsible Officials and Planned Corrective Actions – Documents DA8MAD01 and DA8MAD02 are administrative draws. We agree that the draws were not in compliance with the requirements of the CMIA. In FY 2008, the payroll expenditures were spread over several Appropriation Years (AYs) and different funds. It took a significant amount of time to compile the data in order to determine the correct amount to draw. Once we arrived at the correct amount, the draw was completed promptly. The non-payroll services expenditures were analyzed to determine if they were recorded in SOAR, the District's accounting system of record, correctly. After the analysis was completed, the draw was completed promptly.

In FY 2009, Medical Assistance Administration was carved out of the Department of Health and established as a separate agency. All of the issues that prevented timely draws in FY 2008 disappeared and we are able to draw funds in compliance with the CMIA.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-16	U.S. Department of Health and Human Services  HIV Emergency Relief Project Grants CFDA Number: 93.914 Grant Award Number: 6H89HA00012-17, 6H89HA00012-18 Grant Award Period: 3/1/07-2/29/08, 3/1/08-2/28/09	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 Emergency Relief Project for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of 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 7 out of the 28 drawdowns made during FY 2008 totaling \$6,550,028 and noted that the 7 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8HAA54, DT8HAA08, DA8HAA12, DA8HAA43, DA8HAA07, DA8HAA25, and DA8HAA58 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DT8HAA08, DA8HAA12, DA8HAA43, and DA8HAA58 included expenditures in the amount of \$1,866,702 which had not been disbursed when the requests for the drawdowns were made.

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. DOH's requests for federal funds for the program were not based on the exact amount of the actual disbursements. Interest may be owed to the Federal government. In addition, 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.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

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.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement.

A new methodology was implemented in the fourth quarter of FY 2008 that requires DOH/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures from SOAR, the District's accounting system of record. The cash draw request is made on Thursday to ensure funds are deposited to the District's account on Friday. Because of the volume of grants that comprise DOH's budget, 100% adherence to the CMIA for non-personnel services is not feasible and may give the appearance that funds are requested in advance. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-17	U.S. Department of Health and Human Services  HIV Care Formula Grants CFDA Number: 93.917 Grant Award Number: 6 X07HA00045-17, 2 X07HA00045-18 Grant Award Period: 4/1/07-3/31/08, 4/1/08-3/31/09	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 Care Formula Grants for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of 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 7 out of the 29 drawdowns made during FY 2008 totaling \$9,689,545 and noted that the 7 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8HAA25, DA8HAA37, DA8HAA59, DA8HAA24, DA8HAA43, DA8HAA39, and DT8HAA08 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DA8HAA25, DA8HAA59, DA8HAA24, and DT8HAA08 included expenditures in the amount of \$321,619 which had not been disbursed when the requests for the drawdowns were made.

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. DOH's requests for federal funds for the program were not based on the exact amount of the actual disbursements. Interest may be owed to the Federal government. In addition, we noted examples 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.

Cause – DOH 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, 2008

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.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement.

A new methodology was implemented in the fourth quarter of FY 2008 that requires DOH/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures from SOAR, the District's accounting system of record. The cash draw request is made on Thursday to ensure funds are deposited to the District's account on Friday. Because of the volume of grants that comprise DOH's budget, 100% adherence to the CMIA for non-personnel services is not feasible and may give the appearance that funds are requested in advance. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-18	U.S. Department of Health and Human Services  HIV Prevention Activities CFDA Number: 93.940 Grant Award Number: 3U62PS323517-05S1 Grant Award Period: 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 5 days and the amount of 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 5 out of the 17 drawdowns made during FY 2008 totaling \$1,239,675 and noted that the 5 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8HAA06, DA8HAA50, DA8HAA32, DA8HAA16, and DA8HAA14 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DA8HAA50, DA8HAA32, and DA8HAA16 included expenditures in the amount of \$661,487 which had not been disbursed when the requests for the drawdowns were made.

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. DOH's requests for federal funds for the program were not based on the exact amount of the actual disbursements. Interest may be owed to the Federal government. In addition, we noted examples 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.

Cause – DOH 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, 2008

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.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement.

A new methodology was implemented in the fourth quarter of FY 2008 that requires DOH/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures from SOAR, the District's accounting system of record. The cash draw request is made on Thursday to ensure funds are deposited to the District's account on Friday. Because of the volume of grants that comprise DOH's budget, 100% adherence to the CMIA for non-personnel services is not feasible and may give the appearance that funds are requested in advance. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-19	U.S. Department of Health and Human Services  Block Grants for Prevention and Treatment of Substance Abuse CFDA Number: 93.959 Grant Award Number: 3B08TI010008-08S1 Grant Award Period: 10/1/07-9/30/09	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 Block Grants for Prevention and Treatment of Substance Abuse program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of 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 5 drawdowns made during FY 2008 totaling \$4,324,552 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. DA82PBG8 and DA8APBG8 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 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.

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, 2008

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement.

A new methodology was implemented in the fourth quarter of FY 2008 that requires DOH/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures from SOAR, the District's accounting system of record. The cash draw request is made on Thursday to ensure funds are deposited to the District's account on Friday. Because of the volume of grants that comprise DOH's budget, 100% adherence to the CMIA for non-personnel services is not feasible and may give the appearance that funds are requested in advance. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-20	U.S. Department of Health and Human Services  State Children's Health Insurance Program CFDA Number: 93.767 Grant Award Number: 05-0805DC5021 Grant Award Period: 10/1/07-9/30/08	Eligibility	Not Determinable

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

Condition – The Department of Human Services' (DHS) Income Maintenance Administration (IMA) is responsible for determining participant eligibility for SCHIP. 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:

- 2 participant files did not have signed application forms.
- 3 participant files did not have a verification of the applicant's income.
- 2 participant files did not have complete and signed citizenship declaration forms.
- 1 participant file did not show that a social security number (SSN) was furnished or verified.
- 1 participant file showed that the participant was a non-qualified alien and ineligible to receive SCHIP benefits.
- 1 participant file showed that the participant was given 15 months of SCHIP eligibility instead of 12 months.
- 2 participant files did not have evidence of supervisory review and approval for eligibility determination decisions.
- 1 participant file could not be located.

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

Recommendation – We recommend that the Department of Human Services' IMA refine its internal control procedures to ensure that SCHIP 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.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Views of Responsible Officials and Planned Corrective Actions – Based on a review of the case records, IMA disagrees with some of the exceptions.

- IMA applications and recertification forms require a customer to declare citizenship or to report changes in citizenship status. In addition, verification of US citizenship is required. Of the 2 cases reported as not having signed Citizenship Declaration forms, birth certificates are on file.
- IMA verifies SSNs via ACEDS transmissions to and from the Social Security Administration (SSA). In addition, customers are allowed to provide a printout of the SSN from SSA. ACEDS reports the SSN as verified and the printout is on file.
- IMA supervisors are required to review and approve eligibility determinations. However, the supervisory review and approvals are completed in ACEDS and do not appear on the Medical Assistance recertification forms.

IMA has developed initiatives to address the deficiencies cited including ensuring that all participants are eligible and that verifications used to determine eligibility are maintained in the case records.

**Enhanced Supervisory Review:** IMA has enhanced the supervisory review process to include second level reviews completed by Section Chiefs and Program Managers. These reviews will ensure that all eligibility factors and verifications are screened for correctness by more than one level of management. In addition, monitoring will be completed to analyze progress.

**Performance Standards:** The analysis of quality assurance reports will assist with developing performance standards. Employees will be introduced to these performance standards and the outcomes measured. Case actions which contribute to deficiencies will be used to create performance improvement plans.

**Ongoing Policy Refresher Trainings:** IMA conducts refresher trainings on a regular and as needed basis. Employees (on all levels) are engaged in activities to enhance knowledge of policy and procedures and to ensure that staff is aware of any changes in requirements or laws.

**Document Management and Imaging:** DHS is issuing a Request for Proposal (RFP) for a Document Imaging System (DIMS) and the Scanning of IMA case records. The Statement of Work was provided to the Office of Contracting and Procurement for RFP development on June 18, 2009. Digital case records will 1) reduce the incidence of lost or misplaced records; 2) assist with verifications, such as birth, citizenship, and wages; 3) improve accuracy; and 4) streamline the monitoring and investigation process.

IMA Management will develop or refine internal control procedures for case maintenance, including a strengthening of the business process for both paper records, as well as electronic records.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-21	U.S. Department of Health and Human Services  Medical Assistance Program Cluster CFDA Number : 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	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 Department of Human Services' (DHS) Income Maintenance Administration (IMA) is responsible for determining participant eligibility for the Medical Assistance Program (MA). IMA uses the Automated Client Eligibility Determination System (ACEDS) to evaluate the eligibility of the applicant. We noted the following during our review of 132 participant files which had been selected for testing:

- 3 participant files could not be located and thus were not provided for testing.
- 6 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.
- 2 participant files did not show that a social security number (SSN) was furnished or was verified.
- 2 participant files were not closed in the system when the applicant failed to recertify.
- 5 participant files did not have evidence of supervisory review and approval for eligibility determination decisions.

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

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 – 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, 2008

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 – Based on a review of the case records and the comments, IMA disagrees with some of the exceptions.

- Customers who present an incomplete recertification are allowed four months to provide needed documents to determine eligibility as per IMA Policy, Part VIII, Chapter 4.
- IMA applications and recertification forms require a customer to declare citizenship or to report changes in citizenship status. In addition, verification of US citizenship is required. For 2 of the 4 cases reported as not having signed Citizenship Declaration forms, birth certificates are on file.
- IMA verifies SSNs via ACEDS transmissions to and from the Social Security Administration (SSA). In addition, customers are allowed to provide a printout of the SSN from SSA. ACEDS reports the SSN as verified and the printout is on file.
- IMA supervisors are required to review and approve eligibility determinations. However, the supervisory review and approvals are completed in ACEDS and do not appear on the Medical Assistance recertification forms.

IMA has developed initiatives to address the deficiencies cited including ensuring that all participants are eligible and that verifications used to determine eligibility are maintained in the case records.

Enhanced Supervisory Review: IMA has enhanced the supervisory review process to include second level reviews completed by Section Chiefs and Program Managers. These reviews will ensure that all eligibility factors and verifications are screened for correctness by more than one level of management. In addition, monitoring will be completed to analyze progress.

Case Banking: This initiative eliminated caseloads and implemented a team approach to case interviewing and processing. Case banking involves function based case processing and requires that all case records be placed in a central file subsequent to each case action. A member of the center's management team is responsible for ensuring that all documents needed to make a determination are located in the case record.

Document Management and Imaging: DHS is issuing a Request for Proposal (RFP) for a Document Imaging System (DIMS) and the Scanning of IMA case records. The Statement of Work was provided to the Office of Contracting and Procurement for RFP development on June 18, 2009. Digital case records will 1) reduce the incidence of lost or misplaced records; 2) assist with verifications, such as birth, citizenship, and wages; 3) improve accuracy; and 4) streamline the monitoring and investigation process.

IMA Management will develop or refine internal control procedures for case maintenance, including a strengthening of the business process for both paper records, as well as electronic records.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-22	U.S. Department of Health and Human Services  HIV Care Formula Grants CFDA Number: 93.917 Grant Award Number: 6 X07HA00045-17, 2 X07HA00045-18 Grant Award Period: 4/1/07-3/31/08, 4/1/08-3/31/09	Eligibility	Below Reporting Threshold

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement states, “To be eligible to receive assistance in the form of therapeutics, an individual must have a medical diagnosis of HIV/AIDS and be a low-income individual, as defined by the State (42 USC 300ff-26(b); Pub. L. No. 109-415, section 2616(b)).” Further, the Notice of Grant Award program term states, “The HRSA expects all Part B grantees to implement an AIDS Drug Assistance Program (ADAP) recertification process, at a minimum, every six months to ensure that the program only serves eligible clients.”

The District has provided a two month grace period to ensure enough time is given to participants for recertification.

Condition – DOH - HIV/AIDS Administration (HAA) is responsible for determining participant eligibility for the ADAP. Each participant is required to provide medical certification every 6 months with a grace period of 2 months. We noted the following during our review of 45 participant files which had been selected for testing:

- 2 participant files did not have the completed and certified medical verification form indicating whether the applicant was eligible to receive ADAP benefits.
- 1 participant received benefits during the year without recertification documents in the file.

Context – This is a condition identified per review of DOH's compliance with specified requirements. Since HAA could not provide documentation to support the eligibility decision for the two missing medical verification files and one recertification file, there is no assurance that these participants are eligible to receive ADAP benefits. The total ADAP benefits paid for the participants mentioned above was \$826.

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, HAA converted all its application documents to electronic files. During the conversion, some documents were misplaced.

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

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Views of Responsible Officials and Planned Corrective Actions – HAA converted all its application documents to electronic files. During the conversion, some pages were lost or misfiled in the process. Since there will be no future large scale paper-to-electronic file conversion for ADAP files (we are currently operating in an all-electronic document environment), there will be no opportunity for pages to be overlooked in a large-scale scanning process.

To ensure the completeness of documentation for each file, HAA internal control procedure requires two levels of staff review before a client can be deemed eligible for ADAP services.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-23	U.S. Department of Health and Human Services  Medical Assistance Program Cluster CFDA Number : 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	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 not able to provide proper documentation to support that 3 out of the 19 procurement files sampled were in accordance with OCP's policies and procedures to ascertain whether a cost or price analysis was performed.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 19 procurement files totaling \$21,114,111.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could award contracts to vendors whose contract prices are unreasonable.

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 establish 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.

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including evidence that the awarded price is fair and reasonable.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-24	U.S. Department of Health and Human Services  HIV Emergency Relief Project Grants CFDA Number: 93.914 Grant Award Number: 6H89HA00012-17, 6H89HA00012-18 Grant Award Period: 3/1/07-2/29/08, 3/1/08-2/28/09	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 not able to provide proper documentation to support that 1 out of the 4 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.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 4 procurement files totaling \$936,886.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH could possibly issue procurement 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 establish 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.

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including significant history of the procurement, the selection process, and evidence that the awarded price is fair and reasonable.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-25	U.S. Department of Health and Human Services  HIV Care Formula Grants CFDA Number: 93.917 Grant Award Number: 6 X07HA00045-17, 2 X07HA00045-18 Grant Award Period: 4/1/07-3/31/08, 4/1/08-3/31/09	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 not able to provide proper documentation to support that 6 out of the 14 procurement files sampled were in accordance with OCP's policies and procedures to ascertain whether a cost or price analysis was performed.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 14 procurement files totaling \$10,327,540.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could award contracts to vendors whose contract prices are unreasonable.

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 establish 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.

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including significant history of the procurement, the selection process, and evidence that the awarded price is fair and reasonable.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-26	U.S. Department of Health and Human Services  HIV Prevention Activities CFDA Number: 93.940 Grant Award Number: 3U62PS323517-05S1 Grant Award Period: 1/1/08-12/31/09	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 not able to provide proper documentation to support that 2 out of the 5 procurement files sampled were in accordance with OCP's policies and procedures to ascertain whether a cost or price analysis was performed. In addition, 1 out of the 5 procurement files sampled lacked documentation to ascertain whether at least three quotations were obtained from vendors during the contractor selection process.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 5 procurement files totaling \$55,192.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH could possibly issue procurement 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 establish 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.

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including significant history of the procurement, the selection process, and evidence that the awarded price is fair and reasonable.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-27	U.S. Department of Health and Human Services  Block Grants for Prevention and Treatment of Substance Abuse CFDA Number: 93.959 Grant Award Number: 3B08TI010008-08S1 Grant Award Period: 10/1/07-9/30/09	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 – DOH and the Office of Contracting and Procurement (OCP) were not able to provide proper documentation to support that 1 out of the 3 procurement files sampled was in accordance with OCP's policies and procedures to ascertain whether a cost or price analysis was performed.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 3 procurement files totaling \$82,291.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could award contracts to vendors whose contract prices are unreasonable.

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 establish 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.

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including significant history of the procurement, the selection process, and evidence that the awarded price is fair and reasonable.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-28	U.S. Department of Health and Human Services  HIV Care Formula Grants CFDA Number: 93.917 Grant Award Number: 6 X07HA00045-17, 2 X07HA00045-18 Grant Award Period: 4/1/07-3/31/08, 4/1/08-3/31/09	Subrecipient Monitoring	Not Determinable

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

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

Condition – DOH - HIV/AIDS Administration (HAA) did not perform the required monitoring of its subrecipients. During our testing, we noted the following in our sample of 7 subrecipient monitoring folders:

- 1 subrecipient did not submit its financial and programmatic packages and other reports on a timely basis. No evidence of follow-up was noted by DOH.
- 1 subrecipient had no evidence of a review done by the DOH grant monitor on the invoice submitted by the subrecipient.
- There was no evidence that an on-site visit was conducted for 1 subrecipient.
- Documentation of the impact of audit findings in the A-133 reports or the corrective action plan follow-up with 2 subrecipients was not able to be provided.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total number of subrecipients in FY 2008 was 28.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – HIV/AIDS Administration failed to follow existing policies and procedures to demonstrate that it complied with the requirements of OMB Circular A-133 for subrecipient monitoring. Improper monitoring of subrecipients could lead to noncompliance with laws and regulations of the federal award and improper spending of federal funds.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Recommendation – The HIV AIDS Administration should adhere to its internal policies and procedures to ensure that it is appropriately monitoring subrecipient activities. In performing the monitoring function, the HIV/AIDS Administration should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of A-133 report, review of financial requirement, etc.).
- A formalized corrective action plan for A-133 reports with findings.
- Consideration of site visits, when appropriate.
- Its system for monitoring and follow-up with subrecipients who are not 100% in compliance with requirements.

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

All documentation should be maintained for monitoring efforts in a subrecipient monitoring folder. The HIV/AIDS Administration should also establish safeguards to ensure all the subrecipients have had the required A-133 audit, if appropriate, and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding that the subrecipient in question did not submit its financial and programmatic packages and other reports timely. Management does not concur that the subrecipient had no evidence of review done by the grant monitor and no on-site visit was conducted. Management concurs with the finding that HAA did not document the impact of audit findings in the A-133 reports and no corrective action plan was implemented with regards to the subrecipients in question.

HAA has policies and procedures in place to follow up when invoices are not submitted timely. However, in this instance, policies and procedures were not adhered to by personnel. HAA has strengthened its internal control starting October 1, 2009 which will ensure compliance with HAA's policies and procedures.

The sub-grantee cited for not having a Grant Monitor's review and site visit was awarded a two year contract to provide a unique service. The sub-grantee did not provide direct client services, and consequently was not subject to an annual site visit. The sub-grantee provided a quarterly reconciliation and progress report as required. A site visit will be conducted prior to the end of award to assess fiscal compliance and operational control.

Beginning in October 2009, HAA will have policies and procedures in place that will require an internal review process of the A-133 audits. Sub-grantees with findings that affect HAA directly or indirectly will be required to provide a Corrective Action Plan to address the deficiencies identified.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-29	U.S. Department of Housing and Urban Development  Housing Opportunities for Persons with AIDS CFDA Number: 14.241 Grant Award Number: DCH07-F001 Grant Award Period: 10/1/07-9/30/08	Special Tests and Provisions: Housing Quality Standards	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement requires that all housing which involves acquisition, rehabilitation, conversion, lease, repair of facilities, new construction, project- or tenant-based rental assistance (including assistance for shared housing arrangements), and operating costs must meet various housing quality standards listed in 24 CFR section 574.310(b)(1)-(2).

Condition – DOH did not perform the required re-inspection of a grantee’s facility to ensure that the unit met the housing quality standards.

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

Effect – Failure to comply with the various housing quality standards requirement could lead to a loss of funding.

Cause – It appears that DOH did not exercise due diligence in ensuring that the housing inspections as required by the OMB Circular A-133 and 24 CFR section 574.310(b)(1)-(2) are met and that any needed repairs were completed timely.

Recommendation – We recommend that DOH ensure that the required re-inspection of housing units is performed and that needed repairs are completed timely to comply with the specified requirements.

Views of Responsible Officials and Planned Corrective Actions – In order to ensure that the unit meets the housing quality standards, HAA has consolidated the re-inspections with the payment of rental subsidies, so that subsidies cannot be reimbursed for those units that were not re-inspected.

HAA also notes that despite the occasional lapse in regular inspections and re-inspections, inspections resulting from a complaint from a tenant, landlord, or supportive service provider have remained in place, thus providing an additional form of protection for the well-being of the client.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-30	U.S. Department of Health and Human Services  Medical Assistance Program Cluster CFDA Number : 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	Special Tests and Provisions: Utilization Control and Program Integrity	Not Determinable

Criteria or Specific Requirement – Per 42 Code of Federal Regulations § 1007.11, duties and responsibilities of the State Medicaid fraud control unit requires that the unit conduct a Statewide program for investigating and prosecuting (or referring for prosecution) violations of all applicable State laws pertaining to fraud in the administration of the Medicaid program, the provision of medical assistance, or the activities of providers of medical assistance under the State Medicaid plan.

Condition – DOH's Medical Assistance Administration (MAA) is not referring all potential fraud cases directly to the Medicaid Fraud Control Unit (MFCU). The MAA's Office of Surveillance and Utilization (SUR) is mandated to perform surveillance and utilization reviews that monitor and control improper or illegal utilization of the program by the providers and recipients of medical services and make referrals to the MFCU if they suspect fraud or abuse. However, we noted that the SUR unit did not revise its policy and continue to refer potential fraud cases to the Office of Investigation and Compliance (OIC) within the DOH instead of referring the cases directly to the MFCU.

The OIC conducts an investigation into the potential fraud case and then after inquiry and data gathering, it will then refer the case to the MFCU. This is a duplication of effort for OIC and interferes with MFCU investigating potential fraud cases once the case is referred to it.

In December 2008, a new Memorandum of Understanding was signed between the Office of the Inspector General (OIG) Medicaid Fraud Control Unit and the Department of Health Care Finance (DHCF), formerly MAA. The MOU sets forth the terms and responsibilities of the MFCU and DHCF. Specifically, it requires that the DHCF refer matters when they have suspicion of fraud.

Context – During FY 2008, MAA referred only 5 of the 38 (13%) potential fraud cases to the MFCU. In addition, MAA referred only 1 of the 207 (.004%) abuse and neglect matters to the MFCU.

Effect – The MFCU is not being fully utilized to investigate and prosecute potential fraud cases. In addition, the OIC is duplicating the effort of the MFCU by conducting its own investigation(s).

Cause – MAA is not complying with the terms and conditions of the MOU signed between the MFCU and the MAA and is in violation of the Federal Regulations.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Recommendation – We recommend that DOH comply with the terms and conditions of the MOU and make SUR referrals directly to MFCU. In addition, we recommend that MAA's OIC discontinue investigating referrals from SUR and comply with the requirements of 42 CFR section 1007 and let the MFCU investigate and prosecute potential fraud cases.

Views of Responsible Officials and Planned Corrective Actions – See below for responses from both MAA and the MFCU.

### *MAA's Response:*

Before responding to the issue raised in this item, the Department of Health Care Finance (DHCF) (formerly the Medical Assistance Administration), needs to correct inaccurate information contained in the audit finding. First, the audit states:

"The MAA's Office of Surveillance and Utilization (SUR) is mandated to perform surveillance and utilization reviews that monitor and control improper or illegal utilization of the program by the providers and recipients of medical services and make referrals to the MFCU if they suspect fraud or abuse."

In fact, instructions to state Medicaid agencies from the Federal Centers for Medicare and Medicaid Services make clear that referrals of suspected abuse (as opposed to suspected fraud) are made at the discretion of the States under the terms of each State Medicaid Agency's memorandum of understanding with the MFCU:

### *Referrals of Suspected Provider Abuse*

Separate from the issue of referrals of fraud is the issue of whether and when to refer cases of suspected of provider abuse. While States are under an explicit obligation under 42 CFR section 455.21 to refer instances of suspected fraud, provider abuse referrals are referenced in the regulations only in 42 CFR section 455.15. Therefore, as indicated in that regulation, when the MOU between the PIU [Program Integrity Unit] and the MFCU provides that the PIU should make referrals of provider abuse (as distinct from fraud) cases, States should refer suspected provider abuse, and consider using the same standard set forth above for fraud referrals (substituting the definition of "abuse" in section 455.2 for the fraud definition). When such a provision is not included in the MOU, the State Medicaid agency should conduct a full investigation."

Source: *Best Practices for Medicaid Program Integrity Units' Interactions with Medicaid Fraud Control Units*. Medicaid Integrity Group. September 2008. Available at

<http://www.cms.hhs.gov/FraudAbuseforProfs/Downloads/bestpracticespiunitinteractionswithmfcu.pdf>

In December 2008, a new Memorandum of Understanding (MOU) was executed between the MFCU and the District's Medicaid program. This MOU makes clear that provider fraud, and not provider abuse, is the type of case to be referred from MAA (now DHCF) to the MFCU.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Second, the audit states that:

"The Department of Health's Medical Assistance Administration (MAA) is not referring all potential fraud cases directly to the Medicaid Fraud Control Unit. The MAA's Office of Surveillance and Utilization (SUR) is mandated to perform surveillance and utilization reviews that monitor and control improper or illegal utilization of the program by the providers and recipients of medical services and make referrals to the MFCU if they suspect fraud or abuse."

This too is incorrect. Federal regulations require the *single state agency* to refer suspected cases of fraud to the MFCU; these regulations do not specify what administrative unit of the single state agency should make the referral; nor do they define what constitutes the preliminary investigation that the Medicaid agency is required to conduct prior to making referral to the MFCU. DHCF is in full compliance with federal regulations.

Third, the audit states that, "MAA is not complying with the terms and conditions of the MOU signed between the MFCU and the MAA and is in violation of the Federal Regulations." This too is incorrect. MAA's prior MOU with the MFCU ended on May 23, 2006. No MOU existed between May 23, 2006 and December 31, 2008. (Federal regulations place responsibility for executing a MOU with the MFCU).

Fourth, the audit recommends that, "DOH comply with the terms and conditions of the MOU and make SUR referrals directly to MFCU." The SUR unit is not addressed in current or past MOUs. As is the case with federal regulations above, the MOUs have addressed the action the *Medicaid agency* needs to take; not what component of the Medicaid agency should be the administrative unit to make the referral.

Further, based on comparative data collected by the DHCF, and an analysis conducted by the Federal Office of the Inspector General, the number of referrals the District's Medicaid program makes to the District's MFCU is comparable to the number made by other states, given the size of the District's program. For example, the DHCF referred 5 cases of suspected provider fraud over a one year period. DHCF's 5 referrals per 150,000 beneficiaries is higher than neighboring jurisdictions of Maryland and Virginia who only referred 9 of 600,000 and 8 of 750,000 respectively. Furthermore, a 2007 Federal Office of Inspector General report, found that nationwide, MFCUs reported receiving 13,733 suspected fraud referrals over a 3-year period, of which 29 percent of the referrals came from State Medicaid agencies.

As above, in December 2008, a new Memorandum of Understanding (MOU) was executed between the MFCU and the District's Medicaid program, which clarified the process whereby the Medicaid program is to make referrals to the MFCU. This MOU, in part, states that the Medicaid program will:

"2. Conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation if it receives a complaint of alleged Medicaid fraud or abuse (as defined by 42 CFR § 455.2) from any source or identifies any questionable practices, as required by 42 CFR § 455.14.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

3. On a quarterly basis, discuss with the MFCU the DHCF preliminary investigations it has completed in the prior quarter and has determined warrant a full investigation. If, after discussion, the MFCU and DHCF determine that these matters involve potential fraudulent activity, the DHCF will directly refer these matters to the MFCU."

These and other provisions of the MOU are expected to help achieve improved understanding of the federal requirements with respect to Medicaid referrals to the MFCU, and the number of referrals that should reasonably be expected. DHCF is committed to abiding by the terms of the MOU and continue making appropriate referrals to the MFCU in FY 2009.

Finally, new procedures and standards established by DHCF have streamlined the preliminary investigations conducted by Investigations staff. The new standards and procedures enable preliminary investigations to be conducted within one month. This one month will not add substantial delay to MFCU investigations which typically take years to complete. It does enable the DHCF to have a better understanding of the nature of problems associated with individual providers.

### *MFCU's Response:*

In FY 2008, the MFCU received few referrals from the MAA. The statistics cited in the audit report are correct. Taking into consideration the U.S. Department of Health and Human Services (HHS) Office of the Inspector General's 2007 report, cited by DHCF, in which 29% of referrals nationwide over a three year period came from state Medicaid agencies, the D.C. referral rate of 13% of the total fraud referrals into the MFCU is less than one-half of that rate. Further, a poor referral rate from neighboring jurisdictions is not a valid or useful comparison. The final D.C. statistic for 2008 is what is the critical number. The MAA referred 5 fraud matters to the MFCU, or 13% of its total fraud referrals.

With regard to the MOU, the response from the DHCF (formerly MAA) is incorrect. There has always been an MOU between the OIG and the MAA; one was signed by all parties in 2003 and was in effect until the new MOU was executed in December 2008. The MFCU is required by HHS performance standards to update the MOU between the MFCU and the single state agency no less often than every five years. The MFCU started discussions with the MAA staff in February 2008 with the goal of updating the existing 2003 MOU. It took until December 2008 to finalize that MOU.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-31	Social Security Administration  Social Security - Disability Insurance CFDA Number : 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/07-9/30/08	Allowable Costs: Indirect Cost Activities	Not Applicable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement states that indirect costs which may be charged to the disability insurance program generally arise from three sources: (a) administrative costs of the parent agency related to DDS; (b) business costs associated with the accounting, billing, and procurement services provided by the parent agency to DDS; and (c) automated services provided to DDS that are operated by the parent agency.

Indirect costs charged to the disability insurance program should be based on the rate approved by the cognizant Federal agency as evidenced by a written agreement.

Condition – We recalculated the indirect cost for this grant using the provisional rate of 41.9% of the grant's total direct salaries and wages, including all fringe benefits, as stated in the latest provisional indirect cost rate agreement dated March 7, 2003. The indirect cost amount should have been \$953,668 compared to the indirect cost recorded on the books and records of \$902,101.

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

Effect – The recorded indirect cost is understated by \$51,567, which did not allow DDS the opportunity to use the money for its other program needs.

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

Recommendation – We recommend that DDS request federal funds consistent with its indirect cost rate agreement and ensure that the base utilized in the computation includes all allowable salaries, wages, and fringe benefits.

Views of Responsible Officials and Planned Corrective Actions – The SSA4513 report for the period ended September 30, 2008 was revised to reflect the correct indirect cost earnings.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-32	U.S. Department of Education  Vocational Rehabilitation Grants to States CFDA Number : 84.126 Grant Award Number: H126A080011-08 Grant Award Period: 10/1/07-9/30/09	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 Vocational Rehabilitation program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of that 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 6 out of the 26 drawdowns made during FY 2008 totaling \$4,082,661 noting that all drawdowns sampled were not in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT8DJ015, DT8DJ006, DT8DJ015, DT8CS104, DT8DJ045, and DT8CS111 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DT8DJ006, DT8DJ015, DT8CS104, and DT8CS111 included expenditures in the amount of \$185,123, \$4,952, \$10,923, and \$257,807, respectively, which had not yet been disbursed when the requests for the drawdowns were made.

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. DDS' requests for federal funds for the program were not based on the exact amount of the actual disbursements. Interest may be owed to the Federal government. In addition, 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, 2008

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 – Management concurs that DDS is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. The methodology that was implemented in 2007 required DDS/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures in SOAR. Copies of the EIS report are distributed to the accountants who review it to determine how much is available to draw on a specific grant. Because of the volume of grants that comprise DDS' budget, 100% adherence to the CMIA for non-personnel services is not feasible. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

Beginning in the latter half of FY 2008, cash requests are being made on Thursdays as opposed to the early part of the week to ensure funds are deposited to the District Treasury account by Friday, to meet the modified average clearance pattern for payroll expenditures.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-33	Social Security Administration  Social Security - Disability Insurance CFDA Number : 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/07-9/30/08	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 5 days and the amount of request shall be for the exact amount of that 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 5 days.

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 24 drawdowns made during FY 2008 totaling \$1,417,984 noting that all drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT8DJ008 and DT8CS113 were made later than required by the CMIA agreement. In addition, the reimbursement request for RCR No. DT8CS113 included expenditures in the amount of \$84,300 which had not been disbursed when the request for the drawdown was made.

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. DDS' requests for federal funds for the program were not based on the exact amount of the actual disbursements. Interest may be owed to the Federal government. In addition, we noted examples 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.

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, 2008

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 – Management concurs that DDS is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. The methodology that was implemented in 2007 required DDS/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures in SOAR. Copies of the EIS report are distributed to the accountants who review it to determine how much is available to draw on a specific grant. Because of the volume of grants that comprise DDS' budget, 100% adherence to the CMIA for non-personnel services is not feasible. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

Beginning in the latter half of FY 2008, cash requests are being made on Thursdays as opposed to the early part of the week to ensure funds are deposited to the District Treasury account by Friday, to meet the modified average clearance pattern for payroll expenditures.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-34	U.S. Department of Education  Vocational Rehabilitation Grants to States CFDA Number : 84.126 Grant Award Number: H126A080011-08 Grant Award Period: 10/1/07-9/30/09	Eligibility	Not Determinable

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

1. An individual is eligible for Vocational Rehabilitation (VR) services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment (Section 102(a) (1) of the Act (29 USC 722(a) (1))).
2. 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))).
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.
4. 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:

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

- 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;

5. 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. Of the 46 cases tested, eligibility was not evident as follows:
  - In 1 case, the client's rights and responsibilities was not properly signed.
  - In 2 cases, the certification of eligibility was not in the file.
  - In 2 cases, the certification of eligibility was not signed by the Counselor.
  - In 1 case, the date on the certification of eligibility was 2 days earlier than the date the client's rights and responsibilities had been signed.
2. Within the 46 cases tested, where eligibility was evident, we noted that:
  - In 14 cases, eligibility was determined after the 60-day window.
  - In 5 cases, the Individualized Plan for Employment (IPE) was not prepared within the specified 90 days.
  - In 1 case, the IPE was not signed by the Counselor.
3. In addition, certain requested files were not able to be provided.

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 this specific grant requirement was not functioning as intended.

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 Individualized Plan for Employment can be constructed in a timely manner.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

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 granted. 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 – The following responses were provided with respect to the conditions noted above:

Condition #1: The agency agrees with the findings.

Condition #2: The agency agrees with the findings.

The DCRSA Deputy Director and Chief of the Vocational Rehabilitation Services Division (VRSD) have implemented the following corrective action measures to address the deficits cited in the FY 2008 audit:

1. Many of the audit exceptions were due to staff's inability to effectively manage caseload activity due to the limited capability of DCRSA's out-dated case management system (CRIS). In July 2009, the agency evaluated several proposals and selected a new system. Implementation Phases I and II will commence during the fourth quarter of FY 2009. The new system will facilitate case management activities and will allow counselors and managers to generate Real-Time reports to monitor and correct potential compliance issues before exceptions occur.
2. Approximately 50% of the direct service employees have less than three years of experience providing VR services to individuals with significant disabilities. To address this concern, DCRSA has hired a highly qualified training consultant with 34 years of client service experience in a state VR agency. Starting in August 2009, the consultant will conduct a series of in-service training sessions with counselors, supervisors, counselor assistants, and staff from the Office of Quality Assurance and Federal Compliance. The sessions will include all areas the VR process with a specific focus on areas of concern noted in this and previous audit and monitoring reports.
3. In May 2009, VRSD discontinued using the former case folders and adopted a new case folder that enhances and better facilitates caseload management and reviews.
4. The structure of the new case folder will facilitate the maintenance and retrieval of documents as well as facilitate the case review process.
5. DCRSA will continue to review cases on a regular basis. In addition to review by the supervisors, a peer review process will be implemented. Staff from the Office of Quality Assurance and Federal Compliance will also conduct specific reviews as indicated.
6. Employees whose cases remain out of compliance will be placed on a monitoring plan and will require increased oversight by front-line supervisors.



# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Condition #3: Auditors found certain case records were missing eligibility documents. A review of the case management system (CRIS) indicated the cases selected for review were in Referral Status (St. 00) and not in Application Status (St. 02). Due to a programming error, CRIS allowed cases selected for review to be pulled from St. 00. The programming error also allowed cases to be closed in St. 08 prior to an application being completed on the referred individual. The error ultimately resulted in cases being selected and pulled for the review that had been closed prior to completion of the application and the establishment of an official case record. The programming error was corrected during the third quarter of FY 2009.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-35	U.S. Department of Education  Vocational Rehabilitation Grants to States CFDA Number : 84.126 Grant Award Number: H126A080011-08 Grant Award Period: 10/1/07-9/30/09	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 – In our review of the Vocational Rehabilitation program, we determined that DDS' procurements were not in compliance with some of the OMB Circular A-102 procurement procedures:

- DDS was unable to provide procurement files that documented the methodology and cost analysis used to award contracts to 4 vendors with combined purchase orders amount totaling \$432,964.
- There was no evidence of DDS verifying whether 7 vendors sampled had been debarred or suspended from providing services where federal funds are utilized.

Context – This is a condition identified per review of DDS' compliance with specified requirements. We reviewed 22 procurement files totaling \$627,806.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DDS could award contracts to vendors whose contract prices are unreasonable. Additionally, 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 DDS document the methodology and cost analyses used to award contracts to all vendors in its procurement files. We also recommend DDS verify whether vendors have been debarred or suspended from working with the Federal government. This verification should also be documented in DDS' procurement files.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Views of Responsible Officials and Planned Corrective Actions – Current DDS procurement procedures are in compliance with the District of Columbia Procurement Practices Act and DC Municipal Regulations, Title 27, as amended. Neither District nor federal procurement regulations require cost analyses for all contracts. All 4 procurements cited were task orders against negotiated contracts or human care agreements that established the rates for the base and option years. The largest amount, \$304,455, to Columbia Lighthouse for the Blind is a task order against Human Care Agreement No. DCJA-2006-H-0051-01 awarded in January 2007 for comprehensive independent living training for persons who are blind. We acknowledge that some of the documentation is not in the file which was transferred from the central Office of Contracting and Procurement in October 2007.

DDS' current procedures are consistent with regulatory guidance at Federal Acquisition Regulation Part 13, Section 13.106-3, which states in part:

(b) *File documentation and retention.* Keep documentation to a minimum. Purchasing offices shall retain data supporting purchases (paper or electronic) to the minimum extent and duration necessary for management review purposes (see **Subpart 4.8**). The following illustrate the extent to which quotation or offer information should be recorded:

(1) *Oral solicitations.* The contracting office should establish and maintain records of oral price quotations in order to reflect clearly the propriety of placing the order at the price paid with the supplier concerned. In most cases, this will consist merely of showing the names of the suppliers contacted and the prices and other terms and conditions quoted by each.

(2) *Written solicitations* (see 2.101). For acquisitions not exceeding the simplified acquisition threshold, limit written records of solicitations or offers to notes or abstracts to show prices, delivery, references to printed price lists used, the supplier or suppliers contacted, and other pertinent data.

In keeping with the foregoing guidance, paperwork reduction, and initiatives to incorporate best practices for electronic records management, checks for debarment or suspension by federal or District authorities have heretofore not been documented for small purchases, but only when a formal written determination and findings of responsibility is required, consistent with the following guidance as set forth at FAR 9.105-2(a), determinations and documentation:

(1) The contracting officer's signing of a contract constitutes a determination that the prospective contractor is responsible with respect to that contract. When an offer on which an award would otherwise be made is rejected because the prospective contractor is found to be nonresponsible, the contracting officer shall make, sign, and place in the contract file a determination of nonresponsibility, which shall state the basis for the determination.

Controls are in place in the Office of the Chief Financial Officer, that prevent awards to prospective vendors that owe federal or District taxes or may otherwise be ineligible for contract awards. Checks have been made of all vendors cited in the finding.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Our planned corrective actions consist of the following:

1. The Process Memo and working draft of the DDS Standard Operating Procedures will be updated and finalized by September 30, 2009 to ensure staff is trained and policies are in full compliance with federal and District procurement laws and regulations and that files are properly maintained and retained, electronically for small purchases.
2. To facilitate verification that prospective contractors are not debarred or suspended from federal or District procurements, it is recommended that the CFO SOAR Vendor Administrator incorporate an excluded parties search, in addition the current check for federal tax liens and liabilities, before adding a supplier to the SOAR/PASS vendor table so that small purchases less than \$100,000 are not inadvertently made to ineligible suppliers.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Department of Disability Services (DDS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-36	Social Security Administration  Social Security - Disability Insurance CFDA Number : 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/07-9/30/08	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 – In our review of the Social Security - Disability Insurance program, we determined that DDS' procurements were not in compliance with some of the OMB Circular A-102 procurement procedures:

- DDS was unable to provide procurement files that documented the methodology and cost analysis used to award contracts to 2 vendors with combined purchase orders amount totaling \$49,301.
- There was no evidence of DDS verifying whether 7 vendors sampled had been debarred or suspended from providing services where federal funds are utilized.

Context – This is a condition identified per review of DDS' compliance with specified requirements. We reviewed 23 procurement files totaling \$609,775.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DDS could award contracts to vendors whose contract prices are unreasonable. Additionally, 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 DDS document the methodology and cost analyses used to award contracts to all vendors in its procurement files. We also recommend DDS verify whether vendors have been debarred or suspended from working with the Federal government. This verification should also be documented in DDS' procurement files.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Views of Responsible Officials and Planned Corrective Actions – The two procurements totaling \$49,301 were awarded to Pitney Bowes (\$35,784) and Metropolitan Office Solutions (\$13,517) for commercial office equipment and maintenance services which are on the GSA Federal Supply Schedules for Pitney Bowes and Canon. Cost analysis is not required to establish price reasonableness in either case since as commercial items as defined in FAR 2.101, the prices are based on established catalog or market prices.

The documentation supporting the original acquisitions of the equipment by the Department of Human Services contracting office under PO149659 dated August 12, 2005 and PO170699 dated December 12, 2005, was not available when DDS assumed contracting responsibility as an independent agency in October 2007.

DDS' current procedures are consistent with regulatory guidance at Federal Acquisition Regulation Part 13, Section 13.106-3, which states in part:

(b) *File documentation and retention.* Keep documentation to a minimum. Purchasing offices shall retain data supporting purchases (paper or electronic) to the minimum extent and duration necessary for management review purposes (see **Subpart 4.8**). The following illustrate the extent to which quotation or offer information should be recorded:

(1) *Oral solicitations.* The contracting office should establish and maintain records of oral price quotations in order to reflect clearly the propriety of placing the order at the price paid with the supplier concerned. In most cases, this will consist merely of showing the names of the suppliers contacted and the prices and other terms and conditions quoted by each.

(2) *Written solicitations* (see 2.101). For acquisitions not exceeding the simplified acquisition threshold, limit written records of solicitations or offers to notes or abstracts to show prices, delivery, references to printed price lists used, the supplier or suppliers contacted, and other pertinent data.

In keeping with the foregoing guidance, paperwork reduction, and initiatives to incorporate best practices for electronic records management, checks for debarment or suspension by federal or District authorities have heretofore not been documented for small purchases, but only when a formal written determination and findings of responsibility is required, consistent with the following guidance as set forth at FAR 9.105-2(a), determinations and documentation:

(1) The contracting officer's signing of a contract constitutes a determination that the prospective contractor is responsible with respect to that contract. When an offer on which an award would otherwise be made is rejected because the prospective contractor is found to be nonresponsible, the contracting officer shall make, sign, and place in the contract file a determination of nonresponsibility, which shall state the basis for the determination.

Controls are in place in the Office of the Chief Financial Officer, that prevent awards to prospective vendors that owe federal or District taxes or may otherwise be ineligible for contract awards. Checks have been made of all vendors cited in the finding.

# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Our planned corrective actions consist of the following:

1. The Process Memo and working draft of the DDS Standard Operating Procedures will be updated and finalized by September 30, 2009 to ensure staff is trained and policies are in full compliance with federal and District procurement laws and regulations and that files are properly maintained and retained, electronically for small purchases.
2. Ensure that documentation is in the official file for purchases above the small purchase threshold that supports the purchase.
3. To facilitate verification that prospective contractors are not debarred or suspended from federal or District procurements, it is recommended that the CFO SOAR Vendor Administrator incorporate an excluded parties search, in addition the current check for federal tax liens and liabilities, before adding a supplier to the SOAR/PASS vendor table so that small purchases less than \$100,000 are not inadvertently made to ineligible suppliers.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Office of the Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-37	U.S. Department of Health and Human Services  Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2008G9908CS Grant Award Period: 10/1/07-9/30/08	Allowable Costs: Indirect Cost Activities	Not Applicable

Criteria or Specific Requirement – OAG has an approved indirect rate agreement with the Federal government that is allowed as 10% of all direct wages.

Condition – OAG did not properly calculate and record indirect costs in its accounting system of record, SOAR. OAG calculated the indirect costs using the cash basis direct salary and wages expenditures, instead of using the accrual basis salary and wages.

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

Effect – The recorded indirect cost is understated by \$28,452, which did not allow OAG the opportunity to use the money for its other program needs.

Cause – Indirect costs were not properly calculated and recorded in SOAR, and consequently not correctly reported on the SEFA, because OAG used an incorrect basis to calculate indirect costs.

Recommendation – We recommend that OAG calculate its indirect costs according to the approved indirect cost rate agreement.

Views of Responsible Officials and Planned Corrective Actions – OAG has historically calculated indirect costs based on cash expenditures only. Going forward, we will implement the recommendation noted.

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# Government of the District of Columbia

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

District Agency – Office of the Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2008-38	U.S. Department of Health and Human Services  Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2008G9908CS Grant Award Period: 10/1/07-9/30/08	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 2 funding techniques for the Child Support Enforcement grant for the drawdown of funds:

- Non-payroll program payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of 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.

Condition – We noted that during FY 2008 OAG made 3 drawdowns totaling approximately \$5.7 million for reimbursement against prior year receivables. It appeared that OAG had not drawdown funds in accordance with the funding techniques identified in the CMIA Agreement.

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

Effect – OAG is not in compliance with the provisions of the CMIA agreement.

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

Recommendation – We recommend that OAG 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 – Management believes that drawdowns were done when the funds were available in the Payment Management System. This is a reimbursable grant. We are not able to do a drawdown until we are reimbursed for the prior quarter’s expenditures.

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