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Government of the District of Columbia

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

Year Ended September 30, 2011

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GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Government of the District of Columbia

Independent Auditors' Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2011



GOVERNMENT OF THE DISTRICT OF COLUMBIA

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

September 30, 2011



KPMG LLP
Suite 12000
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Washington, DC 20006

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, budgetary comparison statement, each major fund, and the aggregate remaining fund information of the District of Columbia (the District) as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2012. Our report referred to the cumulative effect of a change in an accounting principle due to the passage of legislation affecting property tax revenues. Our report also referred to the adoption of a new accounting standard effective October 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the District of Columbia Water and Sewer Authority and District of Columbia Housing Financing Agency, discretely presented component units of the District, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective 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 basic 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.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial



reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in Appendix A to this report. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 described in finding 2011-02 in Appendix A to this report.

We noted certain matters that will be reported to management of the District in a separate letter.

The District's responses to the findings identified in our audit are described in Appendix A. The status of the significant deficiencies and instances of noncompliance identified in the fiscal year 2010 audit are described in Appendix B to this report. We did not audit the District's responses described in Appendix A or the status of the prior year deficiencies and instances of noncompliance described in Appendix B and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, the Council, the Office of the Inspector General, 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.

KPMG LLP

January 25, 2012

Appendix A – Significant Deficiencies in Internal Control Over Financial Reporting

Finding 2011-01 – Weaknesses in the District’s General Information Technology Controls

Background:

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

The GITC environment is undergoing significant transition during fiscal year 2011. The District is currently in the process of modernizing its District-wide System of Accounting and Reporting. As a result, certain deficiencies previously identified will continue to exist, as they will not be remediated until the new system is implemented. Additionally, the District has already remediated other GITC deficiencies during fiscal year 2011. However, as these remediation efforts did not take place until fiscal year 2011 was well under way, the conditions continued to exist during part of the fiscal year and thus are included in this year’s report.

Our fiscal year 2011 findings included the following:

Access to Programs and Data

Conditions:

1. Failure to consistently restrict privileged and general user access to key financial applications in accordance with employee job responsibilities or segregation of duties considerations.
2. Inconsistent performance and documentation of both physical and logical user access administration activities, including the approval of new user access and access changes, periodic review of user access rights, including whether user access is commensurate with job responsibilities, and timely removal of user access upon employee termination.
3. Use of generic accounts to perform system administration or end user functions within key applications without adequate monitoring controls over such activities.
4. Failure to update the policy that defines the minimum password configuration requirements for the District’s Information Technology (IT) systems in approximately seven years. Further, inquiry and inspection procedures performed indicate that the policy was not effectively communicated to responsible personnel. Specifically, we determined:
 - a. The Office of the Chief Technology Officer (OCTO) Password Management Policy, last revised in November 2004, does not require that systems be configured to

automatically lock out user accounts after a predefined number of invalid log-on attempts.

- b. There were various inconsistencies between the requirements outlined in the OCTO Password Management Policy and configurations set within certain applications and their supporting databases and operating systems.
- c. There is potentially confusing language around the scope of the policy, which indicates it is to include “all District Government agencies and all users of DC Government computing equipment” when, in fact, the Office of the Chief Financial Officer (OCFO) is not under the direction of this policy.

Program Changes

Conditions:

1. Failure to institute well-designed program change policies that establish procedural and documentation requirements for authorizing, developing, testing, and approving changes to key financial applications and related infrastructure software¹ in the production environment.
2. Inconsistent adherence to established program change management procedures, including instances in which changes made to the system were not approved, tested or documented appropriately per the established procedures.
3. Failure to consistently restrict developer access to the production environments of key financial applications in accordance with segregation of duties considerations or, if not feasible, implement independent monitoring controls to help ensure changes applied to the production environment are authorized.

Program Development

Conditions²:

1. Failure to consistently follow and provide documentation for system development life cycle policies for authorizing, developing, testing, and approving system developments to key financial systems.
2. Failure to consistently restrict developer access to the production environments of key financial applications in accordance with segregation of duties considerations or, if not feasible, implement independent monitoring controls to help ensure changes applied to the production environment are authorized.

¹ Infrastructure changes refer to software changes and updates applied to underlying operating systems and databases supporting the key financial applications.

² Systems Development findings are specific to the Banner application at the University of the District of Columbia in FY 2011.

- Usage of generic accounts during the implementation to apply changes to the application, operating system, and underlying database with no evidence of monitoring of these generic accounts.

*Computer Operations
Conditions:*





- Failure to establish a monitoring process for identifying and addressing production job failures in several systems.
- Failure to retain system-generated documentation from the scheduling and processing utility to evidence the completion status of system jobs scheduled through the applications' utilities.

The table below summarizes the key financial applications that were impacted by the findings noted above.

Table 1: Summary of Applications Impacted by the Findings

Application	Access to Program and Data	Program Changes	Program Development	Computer Operations
PeopleSoft		N	N/A	
TACIS			N/A	
PASS			N/A	
ACEDS			N/A	
DOCS	N			N
DUTAS	N		N/A	N
BARTS			N/A	
MEDITECH Health Care Information System (HCIS)	N		N/A	
TAS	N	N	N/A	
SOAR	N	N	N/A	
iNovah	N	N	N/A	
Banner	T	T	T	

Legend

-  No prior year findings remediated in FY 2011.
-  Prior year findings partially remediated in FY 2011.
-  Prior year findings fully remediated in FY 2011.
-  Prior year findings not tested in FY 2011 due to other control objective failures.
- N New findings noted in FY 2011.
- T Findings noted in FY 2011; system not tested in prior year.
- N/A Not applicable; no systems development work was done within FY 2011.

Criteria:

1. The Federal Information Security Management Act (FISMA), passed as part of the Electronic Government Act of 2002, mandates that Federal entities maintain IT security programs in accordance with National Institute of Standards and Technology (NIST). The following NIST criteria were considered:
 - a. NIST SP 800-12, An Introduction to Computer Security: The NIST Handbook, October 1995;
 - b. NIST SP 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations, August 2009;
 - c. NIST SP 800-64, Security Considerations in the System Development Life Cycle, October 2008; and
 - d. NIST SP 800-14, Generally Accepted Principles and Practices for Securing Information Technology, September 1996.
2. The Information Systems Audit Control Association (ISACA) Control Objectives for Information and related Technology (COBIT®) 4.1, 2007.

Cause/Effect:

The findings highlighted above include weaknesses in both the design and operating effectiveness of controls considered relevant to the access to programs and data, program changes, program development, and computer operations areas. Although management has made progress remediating previous findings, additional improvements in formalizing key GITC processes and creating an effective monitoring function are needed. The existence of these findings increases the risk that unauthorized changes applied to key financial applications and the data they process adversely affect application processing and data integrity and, as a result, may materially impact the financial statements. Additionally, the existence of these findings impacts the reliability of key application reports and the ability to rely upon automated, configurable controls embedded within key financial applications.

Recommendations:

We noted that management did remediate several control deficiencies from the prior year across both access to programs and data and program changes. We recommend that management continue to perform the remediated control activities put in place. Further, we recommend that management monitor the effectiveness of these controls on a regular and periodic basis going-forward.

To the extent the following findings are not remediated, we recommend the following:

1. Related to Access to Programs and Data controls, we recommend that management:
 - a. Assess and update or, as applicable, develop and document access management policies and procedures for production applications and underlying infrastructure systems. These policies and procedures should address requirements for clearly documenting user access requests and supervisory authorizations, periodic reviews of the appropriateness of user access by agency business management, timely

communication of employee separations/transfers, and disablement/removal of the related user access. Management should formally communicate policies and procedures to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.

- b. Develop and implement controls that establish organizational and logical segregation between program development roles, production administration roles, and business end user roles among different individuals or, independently performed monitoring of the activities of users provided with conflicting system access over the activities of the developers (and other individuals) with administrative access that require the documentation of monitoring activities as well as follow up on any suspicious behavior within the system.
- c. Restrict the use of generic IDs or, if such access is required, implement independent monitoring of the activities performed using generic IDs.
- d. Develop and implement a process to review, update, and communicate a District-wide password management policy to responsible individuals on a periodic basis to help ensure it remains current and does not conflict in scope or content with other similar policies enacted across the District. We further recommend that this policy include, at a minimum, requirements for the following password configuration settings:
 - i. Minimum password length;
 - ii. Password aging and update requirements;
 - iii. Password complexity (e.g., at least one number, letter, and special character);
 - iv. User account lockout after a predefined number invalid logon attempts; and
 - v. Password history/reset restrictions.

In support of the recommended remediation, management should reconfigure existing password configuration settings at the application, operating system and database level, where applicable, in accordance with the District-wide password management policy. Finally, we recommend that management monitor adherence to the policy.

- e. Develop and formally document the physical access management policy and procedures for all server rooms. We recommend that these include, at a minimum, procedural and documentary requirements for:
 - i. Requesting and approving physical access;
 - ii. Timely disablement/removal of physical access rights during instances of employee separations; and
 - iii. Performing periodic reviews of access in consideration of users' ongoing need to retain physical access, and the modification of any updates required as a result of inappropriate access identified during the review process.

2. Related to Program Change controls, we recommend that management:
 - a. Develop and implement change management processes and controls that establish one or more of the following:
 - i. Organizational and logical segregation of program development roles from production system and database administration roles among different individuals; and
 - ii. Implementation of one or more independently operated monitoring controls over the activities of the developers (and other individuals) with administrative access that require the documentation of monitoring activities as well as follow up on any suspicious behavior within the system.
 - iii. Additionally, management should continue to document the performance of User Acceptance Testing (UAT).

3. Related to Program Development Controls, we recommend that management:

- a. Develop and implement program development processes and controls that establish one or more of the following:
 - i. An evaluation of the generic accounts that exist and documentation of the purpose of each generic account required to remain active, if any. Furthermore, for generic accounts that are required to remain active, we recommend management implement a formal process to approve and document each access request to generic accounts and perform a documented periodic review of generic account activity.
 - ii. The implementation of procedural and documentary requirements for:
 - Recording the nature of each change being applied;
 - Evaluating the impact and risk of each change relative to objective rating criteria;
 - Approving (and documenting such approvals of) changes; and
 - Validating the functionality/system impact of each change via pre-production testing in a model environment.

These policies/procedures should be provided to and discussed with control performers. Further, management should monitor control performer adherence to policies/procedures periodically.

4. Related to Computer Operations controls, we recommend that management:

- a. Implement any required changes to support an extended retention of job processing logs in support of audit requirements. Additionally, we recommend that management continue to save daily Excel reports produced by systems to limit the impact of any future archival issues.
- b. Document the completion of the new process put in place to monitor open application incidents reported to the OCFO Help Desk that are forwarded to the TSG, and also to

ensure that they are remediated within a defined time period that is acceptable to application owners.

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

Management Response:

The District agrees that there are weaknesses in its general information technology controls and has taken measures to address many of the issues raised by the auditors. For some of the issues, however, there simply are no “quick fixes.” Consequently, full remediation of the problems identified will require a longer period of time to develop and implement the appropriate actions.

Some of the measures implemented between 2010 and 2011 include the following:

Tax Administration System (TAS)

To address issues pertaining to access to programs and data, the District has completed the following with respect to the referenced systems:

- Implemented a new security report and signoff workflow application;
- Documented the policies and procedures related to the specific time requirements for completing user access reviews, modifying application privileges to remove any inappropriate access levels identified during reviews, and assigning accountability for the performance of these reviews;
- Incorporated the new policies and procedures into the workflow application;
- Modified the current policy and process to add a supervisory authorization requirement for user access request;
- Implemented a formalized, periodic review process to ensure individuals are not provided the ability to both approve quality assurance (QA) testing and approve migration to production for TAS application changes;
- Updated existing change management policies and procedures to require that documentation of testing results is completed prior to migrating TAS application changes into production;
- Implemented a formalized, periodic review process to determine whether users who have the ability to migrate TAS application changes into production require this access to perform their job responsibilities; and
- OCIO management instituted a formalized reporting mechanism to bring critical help desk ticket open issues to the bi-weekly prioritization meeting for discussion and prioritization and address the non-critical issues through the help desk incident management process.

BARTS/DOCS/DUTAS

- Developed an electronic routing system for access approval flow;

- Reviewed and updated the access control framework and documentation;
- Began performing regular reviews and created reports documenting user and generic access by level and system;
- Established an Access Control Board, consisting of DOES management, to semi-annually review existing access grants (including generic grants) and evaluate their appropriateness (the Board also reviews the access reports for suspect behavior and takes the actions as deemed to be appropriate and necessary);
- Reviewed, updated, finalized and published all OIT policy documents to the OIT policy document library and required all pertinent personnel to review them;
- Held training seminars on the OIT document library; and
- Consolidated the existing ticketing systems into a single OIT issue tracking system.

PASS

- Copies of OCFO Security Policy and Procedures were distributed to each Agency Security Officer (ASO);
- ASOs are required to maintain a working copy and an updated copy of security access reports to show before and after processing;
- Deletion of financial system logon IDs was included as a separate item on the Separation Clearance Form to be signed off by the ASO upon an employee's separation from an agency; and
- Created a standardized worksheet that is to be used as a reporting tool for modifications and deletions needed as a result of the security review.

PeopleSoft

- Identified the applicable IT governance policies to manage the network security;
- Began development of a PeopleSoft System Security Plan which details the functional and technical procedures and mechanisms for PeopleSoft security;
- Communicated with the PeopleSoft Governance Committee to obtain approval for the Security Plan;
- Updated/reviewed current configuration management changes with technical staff; and
- Eliminated/reduced the usage of the "aribasystem" generic user account.

Meditech

- UMC IT staff perform routine reviews of user access to assess compliance with established policies; and
- On a quarterly basis, UMC IT staff selects at least two users groups from the functional areas such as: Radiology, Emergency Room, Patient Billing, for access review.

To address issues pertaining to program changes, the District has completed the following with respect to the referenced systems:

PeopleSoft

- Began work to create a Technical Operations Runbook and Configuration Management Guide for PeopleSoft;
- Implemented the Agile software development methodology; and
- Discussed the development of the Runbook and Configuration Management Guide and implementation of the Agile methodology with the PeopleSoft Governance Committee.

Banner

Deficiencies were also noted with respect to Banner, a system recently implemented by the University of the District of Columbia (the University). The University concurs with the findings as presented by the auditors and has taken measures to address many of the issues noted. For example, the University has:

- Established a Banner Users Group to start reviewing user access in accordance with the established security classes and roles;
- Made plans to continue working with individual business units and departments to assign university functions to specific Banner roles;
- Implemented policies and procedures to minimize the number of generic accounts;
- Begun working with the University's Human Resources Department to develop and implement a communication process to notify Banner Project Management of personnel changes that affect the roles of individuals using Banner;
- Removed Banner Project consultants' access to generic accounts; one consultant can make data changes in production using a "personal" account and this consultant's system use is closely monitored;
- Initiated a review of Banner ERP Security Access;
- Developed and implemented a new Change Control Policy that requires a Change Control Form in order to request, track, and approve system and application changes;
- Began the process for procuring Change Management Software; and
- Instituted a policy requiring all Banner System users to sign a confidentiality agreement prior to being provided database access to the Banner System.

The actions delineated above represent only a portion of the steps taken to address issues in the area of General Information Technology Controls. The District fully recognizes that although much has been accomplished in improving IT controls, there is much yet to be done. The District will continue to be diligent in its efforts to strengthen IT controls and maximize overall operational efficiency.

Finding 2011-02 – Weaknesses in the District’s Procurement and Disbursement Controls

Background:

The District expends over \$8 billion per year in non-personnel related expenditures. In order to be as efficient and effective as possible, the District has established policies and procedures at the Office of Contracts and Procurement (OCP), as well as at those agencies that have independent procurement authority, to procure goods and services and to make payments for those goods and services. Further, these policies and procedures serve to ensure the District’s compliance with various laws and regulations governing procurement and payment, such as the Procurement Practices Act and the Quick Payment Act.

OCP has implemented a comprehensive, multi-year remediation plan to address previously identified deficiencies and has completed the steps scheduled for FY 2011 implementation. A key aspect of the remediation plan is addressing the governance framework and the risk assessment capabilities of OCP. Some of the key aspects of the remediation plan implemented in FY 2011 are as follows:

- **May 14, 2011** – For the first time, delivered an agency-wide CAFR debrief (FY 2010) to all staff and shared lessons learned and remediation action steps with both OCP-dependent and independent agencies with stand-alone procurement operations;
- **June 9, 2011** – Distributed an official memo to contracting officers reiterating their responsibilities for maintaining complete and accurate contract files, and the consequences (penalties) for any failures to comply, identified through audits and other means, which includes loss of delegated authority, suspension and/or termination;
- **June 14, 2011** – Delivered presentation to the Audit Division of the Office of the Inspector General as part of the FY 2012 Audit Symposium and Planning Conference. Provided an overview of the plans for OCP and OPIC, all of which have been or are in the process of being implemented. Also, highlighted opportunities for collaboration.
- **August 22 - August 26, 2011** – Peer review of OCP’s Office of Procurement Integrity and Compliance (OPIC) conducted by the Association of Local Government Auditors (ALGA). OPIC (internal audit group) deemed to be satisfactorily complying with Yellow Book standards.
- **September 1 - September 30, 2011** – OCP realignment plan implemented/executed. OPIC reorganized to include expansion of scope and frequency of audit and compliance activities. Risk Controls Framework developed containing over 200 risk statements for 5 procurement-specific lines of business and 3 support lines of business. FY 2012 goal is to mainstream the use/understanding of this tool throughout the organization.

Subsequent to the 2011 fiscal year end, the District also implemented the following:

- **November 8, 2011** - Directive issued to all contracting officers mandating the upload of all newly awarded and active contracts (as of October 1, 2011) into OCP's Contracts Compliance Module by December 31, 2011.
- **November 14, 2011; December 21, 2011 (Follow-Up)** – Directive issued to all agency directors (including those independent of CPO authority), contract administrators and contracting officers alerting them of the need to complete refresher training; beginning December 5th, the commencement of 'penalty free' contract administration audits performed by OPIC; changes to vendor evaluation procedures; and the commencement of official contract administration audits beginning February 27, 2012. For the first time, the official audit reports will be submitted to the City Administrator as well as affected agency directors and responsible staff.

However, as these remediation efforts did not take place until FY 2011 was well under way, the deficiency conditions continued to exist during part of the fiscal year and have been repeated.

Conditions:

1. We selected a sample of ninety-five (95) sole-source procurements executed by the District in FY 2011 and noted the following:

Lack of supporting documentation:

- a. For two (2) of ninety-five (95) sole-source procurements, adequate substantiating evidence was not maintained in the file documenting why, in the case of that respective procurement, a Determination and Findings (D&F) form was not required.
- b. For three (3) of ninety-five (95) sole-source procurements, the D&F form was not available for review.
- c. For five (5) of ninety-five (95) sole-source procurements, evidence showing that a search was performed to determine whether the vendor was debarred or suspended from doing business with the District was not available for review.
- d. For three (3) of ninety-five (95) sole-source procurements, the use of the sole-source method of procurement was not appropriate or adequately justified.
- e. For two (2) of ninety-five (95) sole-source procurements, the contract was not contained in the contract file.
- f. One (1) of ninety-five (95) files requested could not be located and made available for our inspection.

Inadequate approvals:

- g. For five (5) of ninety-five (95) sole-source procurements, the D&F was not approved by the respective Agency Director or Department Head.
- h. For five (5) of ninety-five (95) sole-source procurements, the D&F was not approved by the Contracting Officer.

- i. For one (1) of fifty-five (55) contracts, the Contracting Officer's maximum approval authority was less than the amount of the procurement on the purchase requisition.
 - j. For three (3) of ninety-five (95) contracts, evidence of the Contracting Officer's approval authority was not available for review.
 - k. For one (1) of ninety-five (95) sole-source procurements, there was no evidence as to whether the contractor was in compliance with the District tax filings requirement.
2. We also selected a sample of seventy (70) emergency procurements executed during FY 2011 and noted the following:

Lack of supporting documentation:

- a. For four (4) of thirty-seven (37) 'small' (\geq \$5,000 but $<$ \$100,000) emergency procurements tested, the applicable quotes were not made available for review.
- b. For one (1) of thirty-seven (37) 'small' emergency procurements, there was insufficient documentation substantiating that the appropriate number of quotations were received.
- c. For six (6) of twenty-four (24) 'large' (\geq \$100,000) emergency procurements, evidence showing that a search was performed to determine whether the vendor was debarred or suspended from doing business with the District was not available for review.
- d. For eight (8) of twenty-four (24) 'large' procurements tested, there was no evidence as to whether the contractor was in compliance with the District tax filings requirement.
- e. One (1) of twenty-four (24) 'large' procurements, the contract requested could not be located and made available for our inspection.
- f. For one (1) emergency procurement in excess of \$1 million, evidence of City Council approval and evidence of legal review by the Office of the Attorney General was not contained in the contract file.
- g. For eight (8) emergency procurements, the length of the procurement was not documented in the contract file.
- h. For three (3) emergency procurements, the D&F was not made available for review.
- i. For eleven (11) procurements, there was no evidence that the procurement was on a sole source basis or that there was competition.

Inadequate approvals:

- j. For one (1) emergency procurement, the D&F was not approved by the respective Agency Director or Department Head.
- k. For three (3) emergency procurements, the D&F was not approved by the Contracting Officer.
- l. For one (1) contract, the Contracting Officer's maximum approval authority was less than the amount of the procurement on the purchase requisition.
- m. For twenty-three (23) contracts, evidence of the Contracting Officer's approval authority was not available for review.

Non-compliance with emergency criteria requirement:

- n. For six (6) contracts inspected, the period of performance exceeded the 120 day maximum duration requirement for an emergency procurement.

3. We selected ninety-five (95) competitive procurements executed during FY 2011 for review and noted the following:

Lack of Supporting Documentation:

- a. For nine (9) of forty-six (46) 'small' (\geq \$5,000 but $<$ \$100,000) competitive procurements tested, the applicable quotes were not made available for review.
- b. For four (4) of forty-six (46) 'small' competitive procurements, there was insufficient documentation substantiating that the appropriate number of quotations were received.
- c. For fourteen (14) of forty-five (45) 'large' (\geq \$100,000) competitive procurements over \$100,000, there was insufficient documentation substantiating that the appropriate number of quotations were received.
- d. For fifteen (15) of forty-five (45) 'large' procurements tested, evidence showing that a search was performed to determine whether the vendor was debarred or suspended from doing business with the District was not available for review.
- e. For ten (10) of forty-five (45) 'large' procurements tested, there was no evidence as to whether the contractor was in compliance with the District tax filings requirement.
- f. For two (2) of forty-five (45) 'large' procurements tested, the contract was not contained in the contract file.
- g. For one (1) of eight (8) procurements in excess of \$1 million, evidence of City Council approval was not contained in the contract file.

Inadequate approvals:

- g. For one (1) of forty-nine (49) competitive procurements, the contract was not signed by the Contracting Officer.
 - h. For two (2) of forty-nine (49) competitive procurements, the Contracting Officer's maximum approval authority was less than the amount of the procurement on the purchase requisition.
 - i. For one (1) of forty-nine (49) competitive procurements, the contract amount was less than the PO amount and the legal sufficiency review from the OAG expired. When the contract was executed in August 2009, the contract was for \$3,628,719; however, the amount has since increased to \$11,371,705 with no additional modification to the contract, legal review, or Council approval able to be provided.
 - j. For five (5) of forty-nine (49) competitive procurements, evidence of the Contracting Officer's approval authority was not available for review.
4. We also selected ninety-five (95) direct vouchers for testing and noted eight (8) transactions were missing the required approval from the District's Office of Financial Operations and Systems (OFOS).
 5. During testing over purchase card (P-Card) transactions and monthly P-Card statement reconciliations, we noted the following deficiencies:

- a. For two (2) of twenty-five (25) P-Card transactions for amounts over \$2,500, amounting to \$7,640 of \$171,793 tested, documentation to support the purchases was not available for review.
 - b. For three (3) of twenty (20) foreign transactions taking place outside of the U.S. (i.e. foreign transactions), documentation supporting the purchases was not made available for review.
 - c. For six (6) of twenty-five (25) monthly P-Card statement reconciliations selected, the monthly reconciliation was not performed timely.
 - d. For three (3) of twenty-five (25) monthly P-Card statement reconciliations selected, there was no evidence that the reconciliation was performed as the supporting documents were not made available for review.
6. In our testing of procurement and disbursement transactions at the District of Columbia Public Schools (DCPS), we observed the following:
- a. For three (3) contract files supporting payments totaling \$19,588, there was insufficient substantiating evidence for a subsequent modification of the respective purchase order; further, DCPS was not able to provide such support after it was not found in the contract files.
 - b. For seven (7) purchase order files for payments totaling \$988,206, the files did not include a completed Determination of Reasonable Price and Award when the file was first provided by DCPS, specifically:
 - o For three (3) purchase order files for payment totaling \$2,068, the Contract Specialist had not indicated how the price for the procurement was deemed reasonable.
 - o For four (4) purchase order files for payments totaling \$986,138, the Determination of Reasonable Price Award was not signed by the Contracting Officer.
 - c. For one (1) contract file for payment totaling \$51,422, the file did not include the appropriate D&F form.
 - d. For two (2) contract files for payments totaling \$259,905, the file did not contain evidence of appropriate competitive vendor selection.
 - e. For thirteen (13) transactions totaling \$704,708, the respective purchase order and/or contract file was not provided by DCPS.
 - f. Three (3) disbursements totaling \$2,327 were incurred in the prior year, but were charged to current year expenditures and not properly accrued at the end of the prior year.
 - g. For one (1) purchase order in the amount of \$7,485, the Contracting Officer did not timely perform the 'Determination of Reasonable Price and Award' and 'Determination for Sole Source Procurement.' Both determinations were signed on 1/23/2012, the day the file was provided as support.
7. With regard to our testing of compliance with the District of Columbia Quick Payment Act, we determined that:
- a. Eighty-one (81) of seven hundred thirty-two (732) District payments (i.e. non-DCPS) selected for testing were not paid timely in accordance with the Quick Payment Act.

- b. One hundred twenty-five (125) of four hundred twenty-five (425) DCPS payments selected for testing were not paid timely in accordance with the Quick Payment Act. All transactions were paid more than 30 days after the Office of the CFO received the invoice.

Criteria:

The Procurement Practices Act indicates the following:

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

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

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

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

Financial Management and Control Order 07-004A states that *“Direct Voucher payment requests that are not explicitly identified in Financial Management and Control Order 07-004A, shall be submitted to the Deputy Chief Financial Officer for the Office of Financial Operations and Systems (OFOS) for consideration and approval in accordance with policy and procedures set forth for direct voucher payment review and consideration by OFOS.”*

According to the District Purchase Card program policies and procedures:

- **Purchase limit:** An individual who is issued a P-Card under the DC Purchase Card Program shall use the purchase card to buy commercially available goods and services, for *Official Government Business only*, with a value that does not exceed \$2,500 per single transaction and a total amount of \$2,500 per card per day and \$10,000 per card account per monthly

cycle, **unless otherwise specified by the Chief Procurement Officer in the delegation of contracting authority.**

- **Reconciliation:** Each approving official will have a queue of all P-card statements waiting for them in the PaymentNet system. By the 27th of each month, the Approving Official should obtain original receipts from cardholders under their jurisdiction and ensures that the cardholders have reviewed all transactions in PaymentNet. The Approving Official should review each transaction to verify that the good or service were received, that the nature of the purchase was within programmatic guidelines, and that the receipts match the amount listed in PaymentNet. The Approving Official should mark each transaction as Approved in PaymentNet **by the 3rd day of the subsequent month.**

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

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

27 DCMR chapter 15

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

The requirements for allowable costs/cost principles are contained in the A-102 Common Rule (§___.22), OMB Circular A-110 (2 CFR section 215.27), OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments” (2 CFR part 225), program legislation, Federal awarding agency regulations, and the terms and conditions of the grant award. Management is required to maintain adequate internal controls to prevent and detect instances of noncompliance.

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

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

Cause/Effect:

District agencies are not adhering to the established policies and procedures governing creation and maintenance of procurement documentation and the payment of vendor obligations, which

may cause noncompliance with the Procurement Practices Act and the Quick Payment Act. Further, comprehensive monitoring controls were not established by OCP until FY 2011.

Recommendation:

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

Management Response:

Office of Contracting and Procurement (OCP)

Unlike past years, results from the FY 2011 CAFR show deficiencies widely distributed across the District's decentralized procurement operations. In FY 2010, OCP operations, presently servicing 52 District agencies, accounted for sixty-eight percent (68%) of the approximately one hundred twenty four (124) deficiencies cited, with the balance attributed to procurement offices independent of the Chief Procurement Officer's (CPO's) authority. This year, OCP accounted for forty-one percent (41%) of the approximately 177 deficiencies cited, while independent agencies accounted for the balance, an increase from the preceding year. Given these results, the District acknowledges the need to closely coordinate oversight, monitoring and remediation activities to uniformly and systematically reduce instances of non-compliance.

In response to the FY 2010 CAFR findings, the Office of Contracting and Procurement (OCP) noted in part that, ***"...While tangible results might not be immediate, we expect that periodic training/refreshers and regular compliance reviews will strengthen the control environment and ultimately improve compliance outcomes in subsequent fiscal years."***

Consistent with this representation, OCP crafted and implemented a comprehensive multi-year remediation action plan, which, among other risk areas, addressed concerns relative to the award of sole source, emergency, small and large competitive procurements. As of September 30, 2011, ninety-seven percent (97%) of planned actions had been ratified as fully implemented by the District's responsible oversight body.

Further, OCP's Office of Procurement Integrity and Compliance (OPIC) has increased the coverage and frequency of its audits and compliance reviews. Results are now reported in a 'Bellwether' Report to management detailing:

- The phases in the procurement lifecycle where audit concerns or violations have been identified;
- The total number of such concerns/violations by each phase;
- The prevailing themes;
- The accountable procurement staff; and

- Pertinent transaction details and actionable recommendations.

For the first time, quantifiable performance information is readily available to management, providing a near real-time snapshot of OCP issues. OCP will be using this data to correct unsatisfactory actions.

Also noteworthy is that close coordination between the External Auditor and OCP-OPIC is underway, to the extent practicable; to eliminate duplication of effort and to gain ‘real-time’ visibility into the conditions in the control environment before, during and after an audit engagement.

The District agrees that Purchase Card (P-Card) policies and procedures are not being followed consistently by all District agencies. However, and as communicated in the FY 2010 audit cycle, these findings refer to program oversight and surveillance reporting under the purview of each Agency Review Team (ART). The Office of Contracting and Procurement (OCP) has followed through on its prior year commitment to increase oversight activities. In FY 2012, following an agency-wide realignment, OCP’s Office of Procurement Integrity and Compliance (OPIC) began random audits of select District agencies to augment training, administration and guidance provided by the District’s P-Card Program Management Office (PMO).

District of Columbia Public Schools (DCPS)

Management concurs with the finding as noted by the auditors. To strengthen controls with respect to contracting and procurement, DCPS-Office of Contracts and Acquisitions (OCA) will provide training on Procurement Regulations, applicable D.C. Code, and other guidance pertaining to the retention of contract files.

To improve controls with respect to direct voucher payments, DCPS has amended its year-end accrual process instructions to include a checklist of items to review when requesting the accrual or processing of direct voucher payments at year-end. In addition, for direct voucher payments, a summary of key items requiring review will be disseminated to DCPS program and accounts payable staff.

To minimize the use of incorrect comptroller object codes, DCPS will re-emphasize the importance of approvers reviewing such codes for accuracy during the requisition and purchase order approval process. This will be communicated to staff in the form of a memorandum as well as through face-to-face discussion during staff meetings.

Office of Financial Operations and Systems

Management concurs with the finding as written regarding noncompliance with the Quick Payment Act. In August 2011, a joint memorandum issued by the Office of the Chief Financial Officer (OCFO) and the City Administrator was distributed to all agencies in order to communicate the prevalent causes for late vendor payments and to create a partnership between the District's program staff and the OCFO. The Office of Financial Operations and Systems (OFOS) will continue to bring awareness to the Quick Payment Act in FY 2012 by developing training material on the requirements of the "Act." OFOS will also meet with each cluster Controller and their respective Accounts Payable teams, to discuss this finding, to provide an understanding of the specific requirements of the Quick Payment Act, and to assist with identifying solutions to cluster issues that may prevent prompt payment.

Appendix B – Status of Prior Year Significant Deficiencies in Internal Control Over Financial Reporting

Prior Year Finding #	Prior Year Finding Title	Prior Year Finding Classification	Current Status
2010-01	Weaknesses in the District’s General Information Technology Controls	Significant Deficiency	Repeated as a significant deficiency in fiscal year 2011
2010-02	Weaknesses in the District’s Procurement and Disbursement Controls	Significant Deficiency	Repeated as a significant deficiency in fiscal year 2011
2010-03	Weaknesses in Monitoring Financial Reporting and Non-Routine Transactions in Stand-Alone Reports	Significant Deficiency	Remediated, comment not repeated
2010-04	Weaknesses in the Financial Reporting Process at the Office of Tax and Revenue	Significant Deficiency	Remediated, comments to be included in fiscal year 2011 management letter
2010-05	Weaknesses in the Personnel Management and Employee Compensation Process	Significant Deficiency	Remediated, comments to be included in fiscal year 2011 management letter



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**Independent Auditors' Report on Compliance with
Requirements That Could Have a Direct and Material Effect
On Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

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

Compliance

We have audited the District of Columbia's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended September 30, 2011. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs (schedule). 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 District's basic financial statements include the operations of the District of Columbia Water and Sewer Authority (WASA) and the District of Columbia Housing Finance Agency (HFA), which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2011. Our audit, described below, did not include the operations of WASA and HFA, because these component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Except as discussed in the following two paragraphs, 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.

We were unable to obtain sufficient documentation supporting the compliance of the District with the Child Nutrition Cluster program (CFDA #10.553, 10.555, 10.556, 10.559) regarding the Cash Management and Reporting compliance requirements as discussed in Finding 2011-08 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the District's compliance with those requirements by other auditing procedures. In our opinion except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the District's compliance with the requirements of the Child Nutrition Cluster program regarding Cash Management and Reporting, the District complied, in all



material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster program for the year ended September 30, 2011. The results of our auditing procedures also disclosed an other instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2011-06.

In addition, we were unable to obtain sufficient documentation supporting the compliance of the District with the HIV Emergency Relief Project Grants (HIVER) program (CFDA #93.914) regarding the Earmarking compliance requirement as discussed in Finding 2011-80 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the District's compliance with those requirements by other auditing procedures. As described in Table I, and more fully in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Level of Effort, Reporting, and Subrecipient Monitoring that are applicable to its HIVER program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the District's compliance with the requirements of the HIVER program regarding Earmarking, and except for the noncompliance described in Table I, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the HIVER program for the year ended September 30, 2011.

TABLE I – MATERIAL NONCOMPLIANCE NOTED IN THE HIV EMERGENCY RELIEF PROJECT GRANTS PROGRAM

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Activities Allowed and Unallowed, Allowable Costs/Cost Principles	2011-78
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, Earmarking	2011-79
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Reporting	2011-81
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2011-82

As described in Table II, and more fully in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding Activities Allowed and Unallowed, Allowable Costs/Cost Principles; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; Reporting; Subrecipient Monitoring; Special Tests &



Provisions – Citizen Participation; Special Tests & Provisions – Environmental Reviews; and Special Tests & Provisions - Rehabilitation that are applicable to its Community Development Block Grants/Entitlement Grants program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program. In our opinion, because of the effects of the noncompliance described above and in Table II, the District did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on the Community Development Block Grants/Entitlement Grants program. As identified in Table III, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Additionally as described in Table II, and more fully in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding Cash Management; Eligibility; Period of Availability; Reporting; Special Tests & Provisions – Verification; Special Tests & Provisions – Disbursements to or on Behalf of Students; Special Tests & Provisions – Return of Title IV Funds; Special Tests & Provisions – Enrollment Reporting; and Special Tests & Provisions – Borrower Data Transmission and Reconciliation (Direct Loan) that are applicable to its Student Financial Assistance Cluster program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program. In our opinion, because of the effects of the noncompliance described above and in Table II, the District did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster program.

TABLE II – MATERIAL NONCOMPLIANCE RESULTING IN ADVERSE OPINION

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-14
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Davis-Bacon Act	2011-16
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Matching, Level of Effort, Earmarking	2011-17
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Procurement and Suspension and Debarment	2011-18
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Reporting	2011-20
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement	Subrecipient Monitoring	2011-21



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
		Grants		
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Special Tests & Provisions – Citizen Participation Plans	2011-22
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Special Tests & Provisions – Environmental Reviews	2011-23
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Special Tests & Provisions – Rehabilitation	2011-24
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Cash Management	2011-36
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Eligibility	2011-37
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Period of Availability	2011-38
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Reporting	2011-39
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions - Verification	2011-40
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Disbursements to or on Behalf of Students	2011-41
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Return of Title IV Funds	2011-42 2011-43
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Enrollment Reporting	2011-44
Education	84.007, 84.033, 84.063, 84.268,	Student Financial	Special Tests & Provisions –	2011-45



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
	93.407, 93.925	Assistance Cluster	Borrower Data Transmission and Reconciliation (Direct Loan)	

TABLE III – OTHER REPORTABLE INSTANCES OF NONCOMPLIANCE NOTED IN PROGRAMS WITH AN ADVERSE OPINION

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Cash Management	2011-15
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Program Income	2011-19
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06

Also, as identified in Table IV and described more fully in the accompanying schedule of findings and questioned costs, the District did not comply with certain requirements regarding the compliance requirements that are applicable to certain of its other major Federal programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

TABLE IV – MATERIAL NONCOMPLIANCE RESULTING IN QUALIFIED OPINION

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement	2011-04



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-11
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Davis-Bacon Act	2011-26
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Reporting	2011-28
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Subrecipient Monitoring	2011-29
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Special Tests & Provisions – Housing Quality Standards	2011-30
Education	84.010, 84.389	Title I Grants to Local Educational Agencies	Procurement and Suspension and Debarment	2011-46
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	Procurement	2011-04
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	Eligibility	2011-50
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	Matching, Level of Effort, Earmarking	2011-51
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	Reporting	2011-52
Education	84.367	Improving Teacher Quality State Grants	Procurement and Suspension and Debarment	2011-54
Education	84.367	Improving Teacher Quality State Grants	Special Tests & Provisions – Assessment of Need	2011-55
Health and Human	93.558, 93.714	Temporary	Procurement	2011-04



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Services		Assistance for Needy Families		
Health and Human Services	93.563	Child Support Enforcement	Procurement	2011-04
Health and Human Services	93.563	Child Support Enforcement	Special Tests & Provisions – Enforcement of Support Obligations	2011-61
Health and Human Services	93.563	Child Support Enforcement	Special Tests & Provisions – Securing and Enforcing Medical Support Obligations	2011-62
Health and Human Services	93.563	Child Support Enforcement	Special Tests & Provisions – Interstate Cases	2011-63
Health and Human Services	93.575, 93.596, 93.713	Child Care and Development Fund Cluster	Procurement	2011-04
Health and Human Services	93.658	Foster Care – Title IV-E	Subrecipient Monitoring Special Tests & Provisions – R3-Subrecipient Monitoring	2011-71
Health and Human Services	93.659	Adoption Assistance	Eligibility	2011-72
Health and Human Services	93.767	Children’s Health Insurance Program	Eligibility	2011-74
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Procurement	2011-04
Health and Human Services	93.917	HIV Care Formula Grants	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-83
Health and Human Services	93.917	HIV Care Formula Grants	Eligibility	2011-84
Health and Human	93.917	HIV Care Formula	Matching, Level of	2011-85



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Services		Grants	Effort, Earmarking	
Health and Human Services	93.917	HIV Care Formula Grants	Matching, Level of Effort, Earmarking	2011-86
Health and Human Services	93.917	HIV Care Formula Grants	Procurement	2011-04
Health and Human Services	93.917	HIV Care Formula Grants	Reporting	2011-87
Health and Human Services	93.917	HIV Care Formula Grants	Subrecipient Monitoring	2011-88
Homeland Security	97.067	Homeland Security Grant Program	Procurement	2011-04

In our opinion, except for the noncompliance described in Table IV, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct or material effect on each of its major Federal programs for the year ended September 30, 2011, other than in the Child Nutrition Cluster, HIV Emergency Relief Project Grants, the Community Development Block Grants/Entitlement Grants program, and the Student Financial Assistance Cluster.

As identified in Table V, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described more fully in the accompanying schedule of findings and questioned costs.

TABLE V – OTHER REPORTABLE INSTANCES OF NONCOMPLIANCE

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management	2011-12
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2011-13
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management	2011-25
Housing and Urban Development	14.239	HOME Investment	Reporting – Federal Funding	2011-06



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
		Partnerships Program	Accountability and Transparency Act (FFATA)	
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06
Labor	17.225	Unemployment Insurance	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-31
Labor	17.225	Unemployment Insurance	Reporting	2011-32
Transportation	20.205	Highway Planning and Construction	Davis-Bacon Act	2011-33
Transportation	20.205	Highway Planning and Construction	Program Income	2011-34
Energy	81.041	State Energy Program	Subrecipient Monitoring Special Tests & Provisions – R3-Subrecipient Monitoring	2011-35
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	Subrecipient Monitoring	2011-48
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-49
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Eligibility	2011-58
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Reporting	2011-59
Health and Human Services	93.563	Child Support Enforcement	Cash Management	2011-60
Health and Human Services	93.568	Low-Income Home Energy Assistance Program	Eligibility	2011-64



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.569	Community Services Block Grant	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06
Health and Human Services	93.575, 93.596	Child Care and Development Fund Cluster	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06
Health and Human Services	93.658	Foster Care – Title IV-E	Eligibility	2011-69
Health and Human Services	93.658	Foster Care – Title IV-E	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06
Health and Human Services	93.658	Foster Care – Title IV-E	Reporting	2011-70
Health and Human Services	93.659	Adoption Assistance	Reporting	2011-73
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Special Tests & Provisions – Provider Eligibility	2011-77
Homeland Security	97.067	Homeland Security Grant Program	Reporting	2011-89

Internal Control over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be



no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. As identified in Table VI, we consider the deficiencies in internal control over compliance, which are described more fully in the accompanying schedule of findings and questioned costs, to be material weaknesses.

TABLE VI – MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement	2011-04
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Cash Management Reporting	2011-08
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-11
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-14
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Davis-Bacon Act	2011-16
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Matching, Level of Effort, Earmarking	2011-17
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Procurement and Suspension and Debarment	2011-18



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Reporting	2011-20
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2011-21
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Special Tests & Provisions – Citizen Participation	2011-22
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Special Tests & Provisions – Environmental Reviews	2011-23
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Special Tests & Provisions – Rehabilitation	2011-24
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Davis-Bacon Act	2011-26
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Reporting	2011-28
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Subrecipient Monitoring	2011-29
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Special Tests & Provisions – Housing Quality Standards	2011-30
Energy	81.041	State Energy Program	Procurement	2011-04
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Cash Management	2011-36
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Eligibility	2011-37
Education	84.007, 84.033, 84.063, 84.268,	Student Financial	Period of	2011-38



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
	93.407, 93.925	Assistance Cluster	Availability	
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Reporting	2011-39
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Verification	2011-40
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Disbursements to or on Behalf of Students	2011-41
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Return of Title IV Funds	2011-42 2011-43
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Enrollment Reporting	2011-44
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)	2011-45
Education	84.010, 84.389	Title I Grants to Local Educational Agencies	Procurement, Suspension and Debarment	2011-46
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	Procurement	2011-04
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	Eligibility	2011-50
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	Matching, Level of Effort, Earmarking	2011-51
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	Reporting	2011-52



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Education	84.367	Improving Teacher Quality State Grants	Procurement and Suspension and Debarment	2011-54
Education	84.367	Improving Teacher Quality State Grants	Special Tests & Provisions – Assessment of Need	2011-55
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Procurement	2011-04
Health and Human Services	93.563	Child Support Enforcement	Procurement	2011-04
Health and Human Services	93.563	Child Support Enforcement	Special Tests & Provisions – Enforcement of Support Obligations	2011-61
Health and Human Services	93.563	Child Support Enforcement	Special Tests & Provisions – Securing and Enforcing Medical Support Obligations	2011-62
Health and Human Services	93.563	Child Support Enforcement	Special Tests & Provisions – Interstate Cases	2011-63
Health and Human Services	93.568	Low-Income Home Energy Assistance Program	Eligibility	2011-64
Health and Human Services	93.575, 93.596, 93.713	Child Care and Development Fund Cluster	Procurement	2011-04
Health and Human Services	93.658	Foster Care – Title IV-E	Subrecipient Monitoring Special Tests & Provisions – R3-Subrecipient Monitoring	2011-71
Health and Human Services	93.659	Adoption Assistance	Eligibility	2011-72
Health and Human Services	93.767	Children’s Health Insurance Program	Eligibility	2011-74



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Procurement	2011-04
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-78
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, Earmarking	2011-79
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, Earmarking	2011-80
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Reporting	2011-81
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2011-82
Health and Human Services	93.917	HIV Care Formula Grants	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-83
Health and Human Services	93.917	HIV Care Formula Grants	Eligibility	2011-84
Health and Human Services	93.917	HIV Care Formula Grants	Matching, Level of Effort, Earmarking	2011-85
Health and Human Services	93.917	HIV Care Formula Grants	Matching, Level of Effort, Earmarking	2011-86
Health and Human Services	93.917	HIV Care Formula Grants	Procurement	2011-04
Health and Human Services	93.917	HIV Care Formula Grants	Reporting	2011-87
Health and Human Services	93.917	HIV Care Formula Grants	Subrecipient Monitoring	2011-88
Homeland Security	97.067	Homeland Security Grant Program	Procurement	2011-04



A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. As described in Table VII, we consider the deficiencies in internal control over compliance, which are described more fully in the accompanying schedule of findings and questioned costs, to be significant deficiencies.

TABLE VII – SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Cash Management	2011-03
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-07
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Cash Management	2011-03
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Program Income	2011-09
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting	2011-10
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management	2011-03
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management	2011-12
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Suspension and Debarment	2011-05
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2011-13



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
		Children		
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Cash Management	2011-03
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Cash Management	2011-15
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Program Income	2011-19
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management	2011-03
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management	2011-25
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2011-27
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Cash Management	2011-03
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Suspension and Debarment	2011-05
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Labor	17.225	Unemployment Insurance	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-31
Labor	17.225	Unemployment Insurance	Cash Management	2011-03
Labor	17.225	Unemployment Insurance	Reporting	2011-32
Transportation	20.205	Highway Planning and Construction	Davis-Bacon Act	2011-33
Transportation	20.205	Highway Planning and Construction	Program Income	2011-34
Treasury	21.GRDC15	Grants in Lieu of Tax Credits	Cash Management	2011-03
Energy	81.041	State Energy Program	Suspension and Debarment	2011-05
Energy	81.041	State Energy Program	Subrecipient Monitoring Special Tests & Provisions – R3-Subrecipient Monitoring	2011-35
Education	84.010, 84.389	Title I Grants to Local Educational Agencies	Cash Management	2011-03
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	Cash Management	2011-03
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	Matching, Level of Effort, Earmarking	2011-47
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	Suspension and Debarment	2011-05
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	Subrecipient Monitoring	2011-48
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	Activities Allowed and Unallowed, Allowable Costs/Cost Principles	2011-49



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	Cash Management	2011-03
Education	84.367	Improving Teacher Quality State Grants	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-53
Education	84.367	Improving Teacher Quality State Grants	Cash Management	2011-03
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Cash Management	2011-03
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Reporting	2011-56
Education	84.410	Education Jobs Fund	Cash Management	2011-03
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-57
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Cash Management	2011-03
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Eligibility	2011-58
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Suspension and Debarment	2011-05
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Reporting	2011-59
Health and Human Services	93.563	Child Support Enforcement	Cash Management	2011-03
Health and Human Services	93.563	Child Support Enforcement	Cash Management	2011-60
Health and Human Services	93.563	Child Support Enforcement	Suspension and Debarment	2011-05
Health and Human Services	93.568	Low-Income Home Energy Assistance Program	Cash Management	2011-03



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.569	Community Services Block Grant	Cash Management	2011-03
Health and Human Services	93.569	Community Services Block Grant	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06
Health and Human Services	93.575, 93.596, 93.713	Child Care and Development Fund Cluster	Cash Management	2011-03
Health and Human Services	93.575, 93.596, 93.713	Child Care and Development Fund Cluster	Suspension and Debarment	2011-05
Health and Human Services	93.575, 93.596	Child Care and Development Fund Cluster	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2011-06
Health and Human Services	93.575, 93.596, 93.713	Child Care and Development Fund Cluster	Reporting	2011-65
Health and Human Services	93.600, 93.708	Head Start	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-66
Health and Human Services	93.600, 93.708	Head Start	Cash Management	2011-03
Health and Human Services	93.600, 93.708	Head Start	Matching, Level of Effort, Earmarking	2011-67
Health and Human Services	93.708	Head Start	Reporting	2011-68
Health and Human Services	93.658	Foster Care – Title IV-E	Cash Management	2011-03
Health and Human Services	93.658	Foster Care – Title IV-E	Eligibility	2011-69
Health and Human Services	93.658	Foster Care – Title IV-E	Reporting – Federal Funding Accountability and Transparency Act	2011-06



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
			(FFATA)	
Health and Human Services	93.658	Foster Care – Title IV-E	Reporting	2011-70
Health and Human Services	93.659	Adoption Assistance	Cash Management	2011-03
Health and Human Services	93.659	Adoption Assistance	Reporting	2011-73
Health and Human Services	93.767	Children’s Health Insurance Program	Cash Management	2011-03
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Activities Allowed and Unallowed, Allowable Costs / Cost Principles	2011-75
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Cash Management	2011-03
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Eligibility	2011-76
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Suspension and Debarment	2011-05
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Special Tests & Provisions – Provider Eligibility	2011-77
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Cash Management	2011-03
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Suspension and Debarment	2011-05
Health and Human Services	93.917	HIV Care Formula Grants	Cash Management	2011-03
Homeland Security	97.067	Homeland Security Grant Program	Cash Management	2011-03
Homeland Security	97.067	Homeland Security Grant Program	Reporting	2011-89

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



Schedule 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, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the District as of and for the year ended September 30, 2011, and have issued our report thereon dated January 25, 2012. Our report contained an explanatory paragraph because the financial statements of WASA and HFA, both discretely presented component units of the District, were not audited in accordance with *Government Auditing Standards*. Our report on the basic financial statements was also modified because effective October 1, 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as well as a change in an accounting principle relating to recognition of property tax revenues after the District passed the *Clarification of Personal Property Tax Revenue Reporting Act of 2011*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor and Council of the Government of the District of Columbia, management, others within the entity, 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.

KPMG LLP

June 29, 2012,

except as to the paragraph relating to the Schedule of Expenditures of Federal Awards, which is as of January 25, 2012

Government of the District of Columbia

Schedule I: Schedule of Expenditures
of Federal Awards By Federal Grantor
Year Ended September 30, 2011

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor**

For the Year Ended September 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. Department of Homeland Security		
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111	6,291,951
HOMELAND SECURITY-RELATED SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (HS STEM) CAREER DEVELOPMENT PROGRAM	97.104	142,481
DRIVER LICENSE SECURITY GRANT PROGRAM	97.089	326,890
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078	1,429,851
RAIL AND TRANSIT SECURITY GRANT PROGRAM	97.075	9,859,995
HOMELAND SECURITY GRANT PROGRAM	97.067	82,379,621
INTEROPERABLE EMERGENCY COMMUNICATIONS	97.055	584,072
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	2,991,976
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	2,494,651
BOATING SAFETY FINANCIAL ASSISTANCE	97.012	996,521
NON-PROFIT SECURITY PROGRAM	97.008	442,113
Total U.S. Department of Homeland Security		107,940,122
Social Security Administration		
SOCIAL SECURITY_DISABILITY INSURANCE	96.001	8,685,140
Corporation for National and Community Service		
SENIOR COMPANION PROGRAM	94.016	317,915
TRAINING AND TECHNICAL ASSISTANCE	94.009	75,390
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	739,489
AMERICORPS	94.006	2,880,257
LEARN AND SERVE AMERICA_HIGHER EDUCATION	94.005	286,688
LEARN AND SERVE AMERICA_SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	54,464
STATE COMMISSIONS	94.003	151,933
Total Corporation for National and Community Service		4,506,136

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor**

For the Year Ended September 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. Department of Health and Human Services		
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994	6,174,681
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991	642,416
PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	1,123,709
BLOCK GRANTS FOR PRVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	6,240,183
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	587,870
ASSISTANCE PROGRAMS FOR CHRONIC DIDEASE PREVENTION & CONTROL	93.945	259,829
HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) SURVEILLANCE	93.944	988,777
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	93.940	8,482,188
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	194,751
HEALTHY START INITIATIVE	93.926	3,512,141
HIV CARE FORMULA GRANTS	93.917	14,253,930
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	30,256,915
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889	1,530,508
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	801,929
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.796	1,560,391
MEDICAID TRANSFORMATION GRANTS	93.793	1,145
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791	3,342,978
CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS) RESEARCH, DEMONSTRATIONS AND EVALUATIONS	93.779	191,671
MEDICAL ASSISTANCE PROGRAM	93.778	1,610,746,213
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.777	1,136,826
STATE MEDICAID FRAUD CONTROL UNITS	93.775	1,695,505
SUBTOTAL - MEDICAID CLUSTER		1,613,578,544
MEDICAID INFRASTRUCTURE GRANTS TO SUPPORT THE COMPETITIVE EMPLOYMENT OF PEOPLE WITH DISABILITIES (2000U)	93.768	406,746
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	12,547,392
ARRA - PREVENTION-COMMUNITIES PUTTING PREVENTION TO WORK FUNDING OPPROTUNITIES ANNOUNCEMENT (FOA)	93.724	1,850,097
ARRA - PREVENTION AND WELLNESS-STATE, TERRITORIES AND PACIFIC ISLANDS	93.723	110,868

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor**

For the Year Ended September 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719	160,643
ARRA - PREVENTING HEALTHCARE-ASSOCIATED INFECTIONS	93.717	14,835
ARRA - STRENGTHENING COMMUNITIES FUND	93.711	106,018
MEDICAID INFRASTRUCTURE GRANT (MIG)	93.678	476,151
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS_GRANTS TO STATES & INDIAN TRIBES	93.671	616,126
ARRA - FOSTER CARE_TITLE IV-E	93.658	576,289
FOSTER CARE_TITLE IV-E	93.658	30,934,956
SUBTOTAL - FOSTER CARE_TITLE IV-E		31,511,245
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	464,146
CHILD ABUSE & NEGLECT STATE GRANTS	93.669	85,704
SOCIAL SERVICES BLOCK GRANT	93.667	3,543,262
ARRA - ADOPTION ASSISTANCE	93.659	547,084
ADOPTION ASSISTANCE	93.659	12,786,486
SUBTOTAL - ADOPTION ASSISTANCE		13,333,570
CHILDREN'S JUSTICE GRANTS TO STATES	93.643	70,361
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630	379,463
ARRA - HEADSTART CONSOLIDATED	93.708	691,758
HEAD START	93.600	7,326,515
HEAD START - PASS-THROUGH FUNDING	93.600	3,829,926
SUBTOTAL - HEAD START CLUSTER		11,848,199
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597	64,002
REFUGEE & ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	93.576	50,000
ARRA-CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.713	1,826,977
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUNDS	93.596	6,345,335
CHILD CARE & DEVELOPMENT BLOCK GRANT	93.575	3,277,697
SUBTOTAL - CHILD CARE AND DEVELOPMENT (CCDF) CLUSTER		11,450,009
COMMUNITY SERVICE BLOCK GRANT	93.569	11,352,743
CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	93.599	40,581
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590	190,420
LOW INCOME HOME ENERGY ASSISTANCE	93.568	16,130,352

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
REFUGEE & ENTRANT ASSISTANCE_STATE ADMINISTERED	93.566	1,050,451
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	17,388,214
ARRA - EMERGENCY CONTINGENCY FUND FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) STATE PROGRAM	93.714	18,007,220
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	91,053,489
SUBTOTAL - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CLUSTER		109,060,709
PROMOTING SAFE AND STABLE FAMILIES	93.556	115,233
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART G_PREVENTION OF ABUSE, NEGLECT, & EXPLOITATION OF OLDER INDIVIDUALS	93.552	27,845
STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	93.525	657,388
THE AFFORDABLE CARE ACT: HUMAN IMMUNODEFICIENCY VIRUS (HIV) PREVENTION AND PUBLIC HEALTH FUND ACTIVITIES	93.523	719,635
AFFORDABLE CARE ACTS (ACA) - CONSUMER ASSISTANCE PROGRAM GRANTS	93.519	80,870
AFFORDABLE CARE ACT - MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS	93.518	16,921
AFFORDABLE CARE ACT - AGING AND DISABILITY RESOURCE CENTER	93.517	2,200
AFFORDABLE CARE ACT (ACA) GRANTS TO STATES FOR HEALTH INSURANCE PREMIUM REVIEW	93.511	114,558
AFFORDABLE CARE ACT (ACA) STATE HEALTH CARE WORKFORCE DEVELOPMENT GRANTS	93.509	133,300
STRENGTHENING PUBLIC HEALTH INFRASTRUCTURE FOR IMPROVED HEALTH OUTCOMES	93.507	70,430
ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT ACCESS EMPLOYEES OF LONG TERM FACILITIES AND PROVIDERS	93.506	24,565
ARRA - PREGNANCY ASSISTANCE FUND PROGRAM	93.500	964,296
ARRA - STATE PRIMARY CARE OFFICES	93.414	31,168
SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	234,640
ARRA - SCHOLARSHIPS FOR DISADVANTAGED STUDENTS	93.407	153,680
SUBTOTAL - SHOLARSHIPS FOR DISADVANTAGED STUDENTS (SDS), STUDENT FINANCIAL ASSISTANCE CLUSTER		388,320
ARRA - STATE LOAN REPAYMENT PROGRAM	93.402	100,548
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	475,931
CENTERS FOR DISEASE CONTROL & PREVENTION_INVESTIGATIONS & TECHNICAL ASSISTANCE	93.283	3,188,516
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275	3,020,683
ARRA - IMMUNIZATION	93.712	250,693
IMMUNIZATION GRANTS	93.268	1,409,140
SUBTOTAL - IMMUNIZATION CLUSTER		1,659,833

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UNIVERSAL NEWBORN HEARING SCREENING	93.251	118,322
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	1,724,892
TRAUMATIC BRAIN INJURY STATE DEMONSTRATION GRANT PROGRAM	93.234	50,279
PROJECTS_STATE & LOCAL CHILDHOOD LEAD POISONING PREVENTION & SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	93.197	621,638
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150	230,321
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM	93.136	59,316
COOP AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.130	107,429
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116	473,028
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	848,846
FOOD AND DRUG ADMINISTRATION_RESEARCH	93.103	2,425
AFFORDABLE CARE ACT PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092	59,919
ARRA - GUARDIANSHIP ASSISTANCE	93.090	3,181,757
EMERGENCY SYSTEM FOR ADV REGISTRATION OF VOLUNTEER HEALTH PROFESSIONALS	93.089	64,904
HEALTHY MARRIAGE PROMOTION & RESPONSIBLE FATHERHOOD GRANTS	93.086	899,655
DC LIFESPAN RESPITE PROGRAM	93.072	42,111
MEDICARE ENROLLMENT ASSISTANCE PROGRAM	93.071	14,373
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.070	17,473
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	7,595,154
NATIONAL FAMILY CAREGIVERS SUPPORT TITLE III PART E	93.052	727,524
ALZHEIMERS'S DISEASE DEMONSTRATION GRANTS TO STATES	93.051	252,852
SPECIAL PROGRAMS FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	310,874
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	600,142
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	93.045	3,198,802
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	1,851,841
SUBTOTAL - TITLE III AGING CLUSTER		5,650,785
SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 2_LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	93.042	152,292
STATE & TERRITORIAL & TECHNICAL ASSISTANCE CAPACITY DEVELOPMENT MINORITY HIV/AIDS DEMONSTRATION PROGRAM	93.006	95,403
PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND	93.003	47,764
Total U.S. Department of Health and Human Services		1,973,168,439

U.S. Department of Education

ARRA - EDUCATION JOBS FUND	84.410	16,955,137
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ARRA - STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	10,496,965
ARRA - STATES FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS	84.394	1,198,572
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	1,392,387
ARRA - SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	84.388	3,533,747
SCHOOL IMPROVEMENT GRANTS	84.377	81,356
SUBTOTAL - SCHOOL IMPROVEMENTS GRANTS CLUSTER		3,615,103
STATEWIDE DATA SYSTEMS	84.372	-10,130
ARRA - STRIVING READERS	84.371	11,359
GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	3,409,820
GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	84.368	481,485
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	12,447,823
MATHEMATICS & SCIENCE PARTNERSHIP	84.366	567,393
ENGLISH LANGUAGE ACQUISITION	84.365	555,126
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	170,612
GRANTS FOR STATES FOR WORKPLACE & COMMUNITY TRANSITION TRAINING FOR INCARCERATED INDIVIDUALS	84.331	67,157
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS FOR CHILDREN WITH DISABILITIES	84.325	317,870
ARRA - EDUCATION TECHNOLOGY STATE GRANT, RECOVERY ACT	84.386	2,549,808
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	596,667
SUBTOTAL - EDUCATION TECHNOLOGY CLUSTER		3,146,475
CAPACITY BUILDING FOR TRADITIONALLY UNDERSERVED POPULATIONS	84.315	195,858
21ST CENTURY COMM LEARNING CTRS-AFTER SCHOOL	84.287	5,015,322
CHARTER SCHOOLS	84.282	722,026
ARRA - TECH-PREP EDUCATION	84.243	156,653
ASSISTIVE TECHNOLOGY	84.224	402,986
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	769,055
TITLE 1 EVEN START	84.213	310,324
ARRA - EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.387	120,981
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	199,189
SUBTOTAL - EDUCATION OF HOMELESS CHILDREN AND YOUTH CLUSTER		320,170
SUPPORTED EMPLOYMENT SVCS_INDIV WITH THE MOST SIGNIFICANT DISABILITIES	84.187	183,016
SAFE AND DRUG FREE SCHOOLS & COMMUNITIES_STATE GRANTS	84.186	630,419
BYRD HONORS SCHOLARSHIPS	84.185	60,000
ARRA - SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.393	2,316,261
SPECIAL EDUCATION_GRANTS FOR INFANTS_FAMILIES	84.181	1,909,704

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<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
SUBTOTAL - SPECIAL EDUCATION CLUSTER		4,225,965
ARRA - INDEPENDENT LIVING SVCS FOR OLDER INDIVIDUALS WHO ARE BLIND REHABILITATION SERVICES_INDEPENDENT LIVING SERVICES_OLDER INDIVIDUALS WHO ARE BLIND	84.399	344
	84.177	<u>121,056</u>
SUBTOTAL - INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND CLUSTER		121,400
ARRA - INDEPENDENT LIVING STATE GRANTS	84.398	172,490
INDEPENDENT LIVING_STATE GRANTS	84.169	<u>333,565</u>
SUBTOTAL - INDEPENDENT LIVING STATE GRANTS CLUSTER		506,055
REHABILITATION SERVICES_CLIENT ASSISTANCE PROGRAM	84.161	58,786
ARRA - REHABILITATION SERVICES-VOCATIONAL REHABILITATION GRANTS TO STATES	84.390	1,435,846
REHABILITATION SERVICES_VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	<u>13,777,034</u>
SUBTOTAL - VOCATIONAL REHABILITATION CLUSTER		15,212,880
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	84.069	456,032
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	4,635,323
TRIO_UPWARD BOUND	84.047	312,541
TRIO_TALENT SEARCH	84.044	500,776
TRIO_STUDENT SUPPORT SERVICES	84.042	<u>55,072</u>
SUBTOTAL - TRIO CLUSTER		868,389
IMPACT AID	84.041	430,397
HIGHER EDUCATION_INSTITUTIONAL AID	84.031	6,511,443
ARRA - SPECIAL EDUCATION - PRESCHOOL GRANTS	84.392	35,548
ARRA - SPECIAL EDUCATION GRANTS TO STATES	84.391	1,328,247
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	264,701
SPECIAL EDUCATION - GRANT TO STATES	84.027	<u>15,908,580</u>
SUBTOTAL - SPECIAL EDUCATION CLUSTER		17,537,076
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013	339,436
FEDERAL DIRECT STUDENT LOANS	84.268	16,982,257
FEDERAL PELL GRANT PROGRAM	84.063	13,766,856
FEDERAL WORK-STUDY PROGRAM	84.033	178,446
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007	<u>780,224</u>
SUBTOTAL - STUDENT FINANCIAL ASSISTANCE CLUSTER		31,707,783
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	1,519,568
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	47,007,736
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.389	<u>11,585,448</u>
SUBTOTAL - TITLE I GRANTS TO LOCAL EDUCATIONAL CLUSTER		58,593,184

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<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
Total U.S. Department of Education		<u>206,312,700</u>
 U.S. Department of Energy		
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128	2,730,863
ARRA - ENERGY EFFICIENT APPLIANCE REBATE PROGRAM (EEARP)	81.127	272,851
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, RESEARCH, DEVELOPMENT AND ANALYSIS	81.122	390,360
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	545,041
ARRA - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	<u>1,872,726</u>
SUBTOTAL - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS		2,417,767
STATE ENERGY PROGRAM	81.041	154,649
ARRA - STATE ENERGY PROGRAM	81.041	<u>9,920,006</u>
SUBTOTAL - STATE ENERGY PROGRAM		10,074,655
NATIONAL ENERGY INFORMATION CENTER	81.039	<u>9,000</u>
Total U.S. Department of Energy		<u>15,895,496</u>
 Environmental Protection Agency		
STATE AND TRIBAL RESPONSE PROGRAM	66.817	237,450
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	151,811
ARRA - LEAKING UNDERGROUND STORAGE TANK TRUST FUND CORRECTIVE ACTION	66.805	221,987
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804	572,905
ARRA - SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE SPECIFIC COOPERATIVE AGREEMENTS	66.802	31,392
HAZARDOUS WASTE MANAGEMENT STATE PROGRAM SUPPORT	66.801	257,622
TSCA TITLE IV STATE LEAD GRANTS CERT OF LEAD-BASED PAINT PROFESSIONALS	66.707	437,235

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ENVIRONMENTAL INFO EXCHANGE NETWORK GRANT PROGRAM & RELATED ASSIST	66.608	175,941
PERFORMANCE PARTNERSHIP GRANTS	66.605	280,525
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	12,703
CHESAPEAKE BAY PROGRAM	66.466	808,502
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460	1,027,480
WATER QUALITY MANAGEMENT PLANNING	66.454	100,000
ARRA - WATER QUALITY MANAGEMENT PLANNING	66.454	84,375
SUBTOTAL - WATER QUALITY MANAGEMENT PLANNING		184,375
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL PROGRAM SUPPORT	66.419	1,228,714
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	37,318
ARRA - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	3,663,014
SUBTOTAL - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS		3,700,332
ARRA - STATE CLEAN DIESEL GRANT PROGRAM	66.040	8,664
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034	167,140
STATE INDOOR RADON GRANTS	66.032	100,000
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	1,123,926
ARRA - AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	678,906
SUBTOTAL - AIR POLLUTION CONTROL PROGRAM SUPPORT		1,802,832
Total Environmental Protection Agency		11,407,610
 National Science Foundation		
EDUCATION AND HUMAN RESOURCES	47.076	533,393
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	32,866
MATHEMATICAL AND PHYSICAL SCIENCES	47.049	317,347
Total National Science Foundation		883,606
 National Endowment for the Humanities		
GRANTS TO STATES	45.310	947,904
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	816,341
Total National Endowment for the Humanities		1,764,245

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General Services Administration		
PUBLIC BUILDINGS SERVICE	39.012	<u><u>11,216</u></u>
Equal Employment Opportunity Commission		
EMPLOYMENT DISCRIMINATION_TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001	<u><u>337,758</u></u>
U.S. Department of the Treasury		
LOW-INCOME TAXPAYER CLINICS	21.008	115,469
ARRA - RAGLTC- GRANTS IN LIEU OF TAX CREDITS SEC	21.GRDC15	<u>15,045,715</u>
Total U.S. Department of the Treasury		<u><u>15,161,184</u></u>
U.S. Department of Transportation		
PHMSA PIPELINE SAFETY PROGRAM ONE CALL GRANT	20.721	44,688
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700	190,619
STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT GRANTS	20.610	5,616
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	<u>2,634,257</u>
SUBTOTAL - HIGHWAY SAFETY CLUSTER		2,639,873
CAPITAL ASSIST PRGM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513	90,021
METROPOLITAN TRANSPORTATION PLANNING	20.505	425,494
FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	20.500	612,939
NATIONAL MOTOR CARRIER SAFETY	20.218	905,459
HIGHWAY PLANNING AND CONSTRUCTION	20.205	115,760,819
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	<u>39,684,653</u>
SUBTOTAL - HIGHWAY PLANNING & CONSTRUCTION		<u>155,445,472</u>
Total U.S. Department of Transportation		<u><u>160,354,565</u></u>
U.S. Department of Labor		
CONSULTATION AGREEMENTS	17.504	371,113
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273	100,750
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271	102,353
REINTEGRATION OF EX-OFFENDERS	17.270	(40,708)

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WORK INCENTIVE GRANTS	17.266	4,618
WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	17.261	1,262,670
WIA DISLOCATED WORKER FORMULA GRANTS	17.278	516,737
WIA DISLOCATED WORKERS	17.260	2,180,629
ARRA - WIA DISLOCATED WORKERS	17.260	1,451,642
WIA YOUTH ACTIVITIES	17.259	2,469,206
ARRA - WIA YOUTH ACTIVITIES	17.259	464,076
WIA ADULT PROGRAM	17.258	1,342,940
ARRA - WIA ADULT PROGRAM	17.258	121,156
SUBTOTAL - WIA CLUSTER		8,546,385
TRADE ADJUSTMENT ASSISTANCE	17.245	198,364
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	874,285
ARRA - SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	21
SUBTOTAL - SENIOR COMMUNITY SERVICE		874,306
UNEMPLOYMENT INSURANCE	17.225	423,597,664
ARRA - UNEMPLOYMENT INSURANCE	17.225	6,427,710
SUBTOTAL - UNEMPLOYMENT INSURANCE		430,025,374
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	286,149
DISABLED VETERANS OUTREACH PROGRAM	17.801	348,089
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	1,592,994
ARRA - EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	823,410
SUBTOTAL - EMPLOYMENT SERVICE CLUSTER		3,050,642
COMPENSATION AND WORKING CONDITIONS	17.005	80,800
LABOR FORCE STATISTICS	17.002	627,052
Total U.S. Department of Labor		445,203,719
 U.S. Department of Justice		
JOHN R JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	16.816	92,414
GANG INTELLIGENCE INITIATIVE	16.753	90,926
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	103,449
JUVENILE MENTORING PROGRAM	16.726	232,638
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	2,804,706

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STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606	411,856
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593	94,843
GRANTS TO ENCOURAGE ARREST POLICIES & ENFORCEMENT OF PROTECT ORDERS	16.590	307,276
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	821,692
ARRA - VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	(50,219)
SUBTOTAL - STOP VIOLENCE AGAINST WOMEN		771,473
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582	170,000
ED BYRNE MEMORIAL STATE & LOCAL LAW ENFORCEMENT ASSISTANCE GRANTS	16.580	475,742
EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579	7,082,557
CRIME VICTIM ASSISTANCE PROGRAM	16.575	1,192,988
ARRA - CRIME VICTIM ASSISTANCE PROGRAM	16.575	(20,968)
SUBTOTAL - CRIME VICTIM ASSISTANCE PROGRAM		1,172,020
NAT'L INSTITUTE OF JUSTICE RESEARCH, EVALUATION & DEVELOPMENT PROJECT	16.560	55,051
STATE JUSTICE STATISTICS PROG FOR STATICAL ANALYSIS CENTERS	16.550	231,788
JUVENILE JUSTICEAND DELINQUENCY PREVENTION_ALLOCATION TO STATES	16.540	597,243
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523	70,857
MISC. FEDERAL PROGRAM/MOU	16.UNK	728,787
Total U.S. Department of Justice		15,493,627
U.S. Department of the Interior		
ARRA - CONSERVATION ACTIVITIES BY YOUTH SERVICE ORGANIZATIONS	15.931	80,000
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	484,995
NATIONAL SPATIAL DATA INFRASTRUCTURE COOPERATIVE AGREEMENTS PROGRAM	15.809	30,000
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805	81,796
STATE WILDLIFE GRANTS	15.634	56,816
SPORT FISH RESTORATION PROGRAM	15.605	1,003,016
Total U.S. Department of the Interior		1,736,623
U.S. Department of Housing and Urban Development		
ARRA - LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.909	1,428,986
COMMUNITY CHALLENGE PLANNING GRANT AND THE DEPARTMENT OF TRANSPORTATION'S TIGER II PLANNING GRANTS	14.704	211,816
FAIR HOUSING ASSISTANCE PROGRAM_STATE AND LOCAL	14.401	212,423

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ARRA - HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM TECHNICAL ASSISTANCE	14.262	1,104,417
ARRA - TAX CREDIT ASSISTANCE PROGRAM	14.258	2,707,161
ARRA - NEIGHBORHOOD STABILIZATION PROGRAM	14.256	4,226,257
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	12,157,967
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239	5,396,473
SHELTER PLUS CARE	14.238	4,455,959
SUPPORTIVE HOUSING PROGRAM	14.235	170,152
EMERGENCY SHELTER GRANT PROGRAM	14.231	720,415
COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM & NON ENTITLEMENT GRANTS IN HAWAII	14.228	2,064,020
ARRA - COMMUNITY DEVELOPMENT BLOCK GRANT ARRA ENTITLEMENT	14.253	3,079,430
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	26,453,142
SUBTOTAL - COMMUNITY DEVELOPMENT BLOCK GRANT CLUSTER		29,532,572
Total U.S. Department of Housing and Urban Development		64,388,618
 U.S. Department of Defense		
ARRA - BASIC, APPLIED , AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.630	20,250
NATIONAL GUARD CHALLENGE PROGRAM	12.607	344,742
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.404	618,726
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.401	1,722,306
	12.113	464,911
PROCUREMENT TECHNICAL ASSISTANCE FOR BUSINESS FIRMS	12.002	152,329
Total U.S. Department of Defense		3,323,264
 U.S. Department of Commerce		
ARRA - STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM	11.558	458,208
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	6,759,412
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM	11.555	6,319,307
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474	3,824
ARRA - ECONOMIC ADJUSTMENT ASSISTANCE	11.307	129,878
Total U.S. Department of Commerce		13,670,629

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor**

For the Year Ended September 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. Department of Agriculture		
ARRA - RECOVERY ACT OF 2009: WILDLAND FIRE MANGEMENT	10.688	129,648
COOPERATIVE FORESTRY ASSISTANCE	10.664	206,912
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	50,867
SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576	157,398
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	188,252
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	142,362
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	322,136
SUPPLEMENTARY NUTRITION ASSISTANCE PROGRAM (SNAP)	10.551	227,783,203
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	14,273,748
SUBTOTAL - SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) CLUSTER		242,056,951
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	548,444
CHILD AND ADULT CARE FOOD PRGRAM	10.558	9,278,348
SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS & CHILDREN (WIC)	10.557	14,726,032
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	3,530,087
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	49,236
NATIONAL SCHOOL LUNCH PROGRAM	10.555	18,808,929
SCHOOL BREAKFAST PROGRAM	10.553	7,584,221
SUBTOTAL - NATIONAL SCHOOL LUNCH, BREAKFAST CLUSTER		29,972,473
COOPERATIVE EXTENSION SERVICE	10.500	1,379,040
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203	665,033
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	246,210
Total U.S. Department of Agriculture		300,070,106
U.S. Department of Veterans Affairs		
VETERANS AFFAIRS MEDICAL CENTER	64.009	591,212
Total U.S. Department of Veterans Affairs		591,212
Total SEFA		3,350,906,015

Government of the District of Columbia

Schedule II: Schedule of Expenditures
of Federal Awards By District Agency
Year Ended September 30, 2011

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
Department of Health Care Finance		
SPECIAL PROGRAMS FOR THE AGING_ TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	151,607
AFFORDABLE CARE ACTS (ACA) - CONSUMER ASSISTANCE PROGRAM GRANTS	93.519	80,870
STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	93.525	657,388
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719	160,643
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	12,547,392
MEDICAID INFRASTRUCTURE GRANTS TO SUPPORT THE COMPETITIVE EMPLOYMENT OF PEOPLE WITH DISABILITIES (2000U)	93.768	406,746
MEDICAL ASSISTANCE PROGRAM	93.778	1,499,174,768
ARRA - MEDICAL ASSISTANCE PROGRAMS	93.778	90,840,414
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791	3,342,978
MEDICAID TRANSFORMATION GRANTS	93.793	1,145
Total Department of Health Care Finance		1,607,363,951
Department of Employment Services		
LABOR FORCE STATISTICS	17.002	627,052
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	1,592,994
ARRA - EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	823,410
UNEMPLOYMENT INSURANCE	17.225	423,597,664
ARRA - UNEMPLOYMENT INSURANCE	17.225	6,427,710
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	874,285
ARRA - SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	21
TRADE ADJUSTMENT ASSISTANCE	17.245	198,365
WIA ADULT PROGRAM	17.258	1,342,940
ARRA - WIA ADULT PROGRAM	17.258	121,156
WIA YOUTH ACTIVITIES	17.259	2,469,206
ARRA - WIA YOUTH ACTIVITIES	17.259	464,076
WIA DISLOCATED WORKERS	17.260	2,180,629
ARRA - WIA DISLOCATED WORKERS	17.260	1,451,642
WORK INCENTIVE GRANTS	17.266	4,618
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271	102,353

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273	100,750
WIA DISLOCATED WORKER FORMULA GRANTS	17.278	516,737
CONSULTATION AGREEMENT	17.504	371,113
DISABLED VETERANS OUTREACH PROGRAM	17.801	348,089
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	286,149
AFFORDABLE CARE ACT (ACA) STATE HEALTH CARE WORKFORCE DEVELOPMENT GRANTS	93.509	133,300
Total Department of Employment Services		444,034,258
 State Superintendent of Education (OSSE)		
SCHOOL BREAKFAST PROGRAM	10.553	7,584,221
NATIONAL SCHOOL LUNCH PROGRAM	10.555	18,808,929
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	49,236
CHILD AND ADULT CARE FOOD PROGRAM	10.558	9,278,348
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	3,530,087
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	548,444
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	142,362
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	50,867
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	1,519,568
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	47,007,736
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013	339,436
SPECIAL EDUCATION - GRANT TO STATES	84.027	15,908,580
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	4,635,323
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	84.069	456,032
SPECIAL EDUCATION - PRESCHOOL INCENTIVE	84.173	264,701
SPECIAL EDUCATION GRANTS FOR INFANTS/FAMILIES	84.181	1,909,704
BYRD HONORS SCHOLARSHIP	84.185	60,000
SAFE AND DRUG FREE SCHOOLS & COMMUNITIES STATE GRANTS	84.186	534,334
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	199,189
EVEN START STATE EDUCATIONAL AGENCY	84.213	310,324
ARRA - TECH-PREP EDUCATION	84.243	156,653
CHARTER SCHOOLS	84.282	722,026

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	5,015,322
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	596,667
GRANTS FOR STATES FOR WORKPLACE & COMMUNITY TRANSITION TRAINING FOR INCARCERATED INDIVIDUALS	84.331	67,157
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	170,612
ENGLISH LANGUAGE ACQUISITION	84.365	555,126
MATHEMATICS & SCIENCE PARTNERSHIP	84.366	567,393
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	12,447,823
GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	84.368	481,485
GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	3,409,820
ARRA - STRIVING READERS	84.371	11,359
STATEWIDE DATA SYSTEMS	84.372	(10,130)
SCHOOL IMPROVEMENT GRANTS	84.377	81,356
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	1,392,387
ARRA - EDUCATION TECHNOLOGY STATE GRANT, RECOVERY ACT	84.386	2,549,808
ARRA - EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.387	120,981
ARRA - SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	84.388	3,533,747
ARRA - TITLE ONE GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.389	11,585,448
ARRA - SPECIAL EDUCATION GRANTS TO STATES	84.391	1,328,247
ARRA - SPECIAL EDUCATION - PRESCHOOL GRANTS	84.392	35,548
ARRA - SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.393	2,316,261
ARRA - STATES FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS	84.394	821,644
ARRA - STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	10,496,965
ARRA - EDUCATION JOBS FUND	84.410	16,955,137
AFFORDABLE CARE ACT PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092	59,919
CHILD CARE & DEVELOPMENT BLOCK GRANT	93.575	3,277,697
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUNDS	93.596	6,345,335
HEAD START	93.600	110,840
ARRA - HEAD START	93.708	18,459
ARRA-CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.713	1,826,977
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	194,751

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
Total State Superintendent of Education (OSSE)		200,380,241
Department of Transportation		
COOPERATIVE FORESTRY ASSISTANCE	10.664	206,912
ARRA - RECOVERY ACT OF 2009: WILDLAND FIRE MANGEMENT	10.688	129,648
HIGHWAY PLANNING AND CONSTRUCTION	20.205	115,760,819
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	39,684,653
FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	20.500	612,939
METROPOLITAN TRANSPROTATION PLANNING	20.505	425,494
CAPITAL ASSIST PRGM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513	90,021
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	2,634,257
Total Department of Transportation		159,544,743
Department of Human Services		
SUPPLEMENTARY NUTRITION ASSISTANCE PROGRAM (SNAP)	10.551	227,783,203
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	11,688,261
EMERGENCY SHELTER GRANT PROGRAM	14.231	533,313
SHELTER PLUS CARE	14.238	2,708,305
VETERANS AFFAIRS MEDICAL CENTER	64.009	591,212
HEALTHY MARRIAGE PROMOTION & RESPONSIBLE FATHERHOOD GRANTS	93.086	899,655
ARRA - PREGNANCY ASSISTANCE FUND PROGRAM	93.500	964,296
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	91,053,489
REFUGEE & ENTRANT ASSISTANCE_STATE ADMINISTERED	93.566	1,050,451
COMMUNITY SERVICE BLOCK GRANT	93.569	11,352,743
SOCIAL SERVICES BLOCK GRANT	93.667	3,543,262
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS_GRANTS TO STATES & INDIAN TRIBES	93.671	616,126
ARRA - EMERGENCY CONTINGENCY FUND FOR TANF STATE PROGRAM	93.714	18,007,220
MEDICAL ASSISTANCE PROGRAM	93.778	11,498,907
Total Department of Human Services		382,290,443

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
Department of Health		
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)	10.557	14,726,032
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION	10.561	1,560,262
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	322,136
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	188,252
SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576	157,398
SHELTER PLUS CARE	14.238	471,643
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	12,157,967
COMPENSATION AND WORKING CONDITIONS	17.005	80,800
SAFE AND DRUG FREE SCHOOLS & COMMUNITIES_STATE GRANTS	84.186	96,085
PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND	93.003	47,764
STATE & TERRITORIAL & TECHNICAL ASSISTANCE CAPACITY DEVELOPMENT MINORITY HIV/AIDS DEMONSTRATION PROGRAM	93.006	95,403
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	7,595,154
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.070	17,473
EMERGENCY SYSTEM FOR ADVANCE REGISTRATION OF VOLUNTEER HEALTH PROFESSIONALS	93.089	64,904
FOOD AND DRUG ADMINISTRATION_RESEARCH	93.103	2,425
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	848,846
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116	473,028
COOPERATIVE AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.130	107,429
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM	93.136	59,316
TRAUMATIC BRAIN INJURY STATE DEMONSTRATION GRANT PROGRAM	93.234	50,279
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	1,041,051
UNIVERSAL NEWBORN HEARING SCREENING	93.251	118,322
IMMUNIZATION PROGRAM	93.268	1,409,140
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275	3,020,683
CENTERS FOR DISEASE CONTROL & PREVENTION: INVEST & TECHNICAL ASSISTANCE	93.283	3,188,516
ARRA - STATE LOAN REPAYMENT PROGRAM	93.402	100,548
ARRA - STATE PRIMARY CARE OFFICES	93.414	31,168

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT ACCESS EMPLOYEES OF LONG TERM FACILITIES AND PROVIDERS	93.506	24,565
STRENGTHENING PUBLIC HEALTH INFRASTRUCTURE FOR IMPROVED HEALTH OUTCOMES	93.507	70,430
THE AFFORDABLE CARE ACT: HUMAN IMMUNODEFICIENCY VIRUS (HIV) PREVENTION AND PUBLIC HEALTH FUND ACTIVITIES	93.523	719,635
REFUGEE & ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	93.576	50,000
ARRA - IMMUNIZATION	93.712	250,693
ARRA - PREVENTING HEALTHCARE-ASSOCIATED INFECTIONS	93.717	14,835
ARRA - PREVENTION AND WELLNESS STATE, TERRITORIES & PACIFIC ISLANDS	93.723	110,868
ARRA - PREVENTION AND WELLNESS - COMMUNITIES PUTTING PREVENTION TO WORK FUNDING OPPROTUNITIES ANNOUNCEMENT (FOA)	93.724	1,850,097
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XVIII) MEDICARE	93.777	1,136,826
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.796	1,560,391
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889	1,530,508
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	30,256,915
HIV CARE FORMULA GRANTS	93.917	14,253,930
HEALTHY START INITIATIVE	93.926	3,512,141
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	93.940	8,482,188
HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) SURVEILLANCE	93.944	988,777
ASSISTANCE PROGRAMS FOR CHRONIC DIDEASE PREVENTION & CONTROL	93.945	259,829
BLOCK GRANTS FOR PRVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	6,240,183
PREVENTIVE HEALTH SVCS_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	1,123,709
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991	642,416
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANTTO THE STATES	93.994	6,174,681
Total Department of Health		127,285,641
Homeland Security / Emergency Management		
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM	11.555	6,319,307
NON-PROFIT SECURITY PROGRAM	97.008	442,113
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	2,494,651

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	2,991,975
INTEROPERABLE EMERGENCY COMMUNICATIONS	97.055	584,072
HOMELAND SECURITY GRANT PROGRAM	97.067	82,379,621
RAIL AND TRANSIT SECURITY GRANT PROGRAM	97.075	9,859,995
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078	1,429,851
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111	6,291,951
Total Homeland Security / Emergency Management		112,793,536

Department of Housing and Comm. Development

COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	23,359,259
COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM & NON ENTITLEMENT GRANTS IN HAWAII	14.228	2,064,020
EMERGENCY SHELTER GRANT PROGRAM	14.231	187,102
SHELTER PLUS CARE	14.238	1,276,011
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239	5,396,473
ARRA - COMMUNITY DEVELOPMENT BLOCK GRANT ARRA ENTITLEMENT	14.253	3,079,430
ARRA - NEIGHBOURHOOD STABILIZATION PROGRAM	14.256	4,226,257
ARRA - TAX CREDIT ASSISTANCE PROGRAM ARRA	14.258	2,707,161
ARRA - HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM TECHNICAL ASSISTANCE	14.262	1,104,417
COMMUNITY CHALLENGE PLANNING GRANT AND THE DEPARTMENT OF TRANSPORTATION'S TIGER II PLANNING GRANTS	14.704	211,816
ARRA - LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.909	1,428,986
ARRA - RAGLTC- GRANTS IN LIEU OF TAX CREDITS SEC	21.GRDC15	15,045,715
Total Department of Housing and Community Development		60,086,647

Child and Family Services

ARRA - GUARDIANSHIP ASSISTANCE	93.090	3,181,757
PROMOTING SAFE AND STABLE FAMILIES	93.556	115,233
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590	190,420
CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	93.599	40,581
CHILDREN'S JUSTICE GRANTS TO STATES	93.643	70,361
ARRA - FOSTER CARE_TITLE IV-E	93.658	576,289

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
FOSTER CARE_TITLE IV-E	93.658	30,934,956
ARRA - ADOPTION ASSISTANCE	93.659	547,084
ADOPTION ASSISTANCE	93.659	12,786,486
CHILD ABUSE AND NEGLECT STATE GRANTS	93.669	85,704
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	464,146
Total Child and Family Services		48,993,017
 District Department of the Environment		
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474	3,824
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113	464,911
SPORT FISH RESTORATION PROGRAM	15.605	1,003,016
STATE WILDLIFE GRANTS	15.634	56,816
ARRA - CONSERVATION ACTIVITIES BY YOUTH SERVICE ORGANIZATIONS	15.931	80,000
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	1,123,926
ARRA - AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	678,906
STATE INDOOR RADON GRANTS	66.032	100,000
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034	167,140
ARRA - STATE CLEAN DIESEL GRANT PROGRAM	66.040	8,664
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	37,318
ARRA - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	3,663,014
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL RPROGRAM SUPPORT	66.419	1,228,714
WATER QUALITY MANAGEMENT PLANNING PROGRAM	66.454	100,000
ARRA - WATER QUALITY MANAGEMENT PLANNING PROGRAM	66.454	84,375
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460	1,027,480
CHESAPEAKE BAY PROGRAM	66.466	808,502
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	12,703
PERFORMANCE PARTNERSHIP GRANTS	66.605	280,525
ENVIRONMENTAL INFORMATION EXCHANGE NETWORK GRANT PROGRAM & RELATED ASSISTANCE	66.608	175,941
TSCA TITLE IV STATE LEAD GRANTS CERTIFICATION OF LEAD-BASED PAINT PROFESSIONALS	66.707	437,235
HAZARDOUS WASTE MANAGEMENT STATE PROGRAM SUPPORT	66.801	257,622

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
ARRA - SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE SPECIFIC COOPERATIVE AGREEMENTS	66.802	31,392
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804	572,905
ARRA - LEAKING UNDERGROUND STORAGE TANK TRUST FUND CORRECTIVE ACTION	66.805	221,987
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	151,811
STATE AND TRIBAL RESPONSE PROGRAM GRANTS	66.817	237,450
NATIONAL ENERGY INFORMATION CENTER	81.039	9,000
STATE ENERGY PROGRAM	81.041	154,649
ARRA - STATE ENERGY PROGRAM	81.041	9,920,006
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	545,041
ARRA - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	1,872,726
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, RESEARCH, DEVELOPMENT AND ANALYSIS	81.122	116,412
ARRA - ENERGY EFFICIENT APPLIANCE REBATE PROGRAM (EEARP)	81.127	272,851
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128	2,730,863
CHILDHOOD LEAD POISONING PREVENTION PROJECTS_STATE AND LOCAL CHILDHOOD LEAD POISONING PREVENTION AND SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	93.197	621,638
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM	93.568	16,130,352
Total District Department of the Environment		45,389,715
 Department of Disability Services		
REHABILITATION SERVICES_VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	13,777,034
REHABILITATION SERVICES_CLIENT ASSISTANCE PROGRAM	84.161	58,786
INDEPENDENT LIVING_STATE GRANTS	84.169	333,565
REHABILITATION SERVICES_INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND	84.177	121,056
SUPPORTED EMPLOYMENT SERVICES FOR INDIVIDUALS WITH THE MOST SIGNIFICANT DISABILITIES	84.187	183,016
ASSISTIVE TECHNOLOGY	84.224	402,986
ARRA - REHABILITATION SVCS- VOCATIONAL REHABILITATION GRANTS TO STATES	84.390	1,435,846
ARRA - INDEPENDENT LIVING STATE GRANTS	84.398	172,490
ARRA - INDEPENDENT LIVING SVCS FOR OLDER INDIVIDUALS WHO ARE BLIND	84.399	344
MEDICAID INFRASTRUCTURE GRANT (MIG)	93.678	476,151

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
MEDICAL ASSISTANCE PROGRAM	93.778	5,694,274
SOCIAL SECURITY_DISABILITY INSURANCE	96.001	8,685,140
Total Department of Disability Services		31,340,688
 Office of the Attorney General		
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	17,388,214
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597	64,002
Total Office of the Attorney General		17,452,216
 University of the District of Columbia		
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	246,210
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203	665,033
COOPERATIVE EXTENSION SERVICE	10.500	1,379,040
ARRA - BASIC, APPLIED , AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630	20,250
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805	81,796
LOW-INCOME TAXPAYER CLINICS	21.008	115,469
MATHEMATICAL AND PHYSICAL SCIENCES	47.049	317,347
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	32,866
EDUCATION AND HUMAN RESOURCES	47.076	533,393
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007	780,224
HIGHER EDUCATION_INSTITUTIONAL AID	84.031	6,511,443
FEDERAL WORK-STUDY PROGRAM	84.033	178,446
TRIO_STUDENT SUPPORT SERVICES	84.042	55,072
TRIO_TALENT SEARCH	84.044	500,776
TRIO_UPWARD BOUND	84.047	312,541
FEDERAL PELL GRANT PROGRAM	84.063	13,766,856
FEDERAL DIRECT STUDENT LOANS	84.268	16,982,257
CAPACITY BUILDING FOR TRADITIONALLY UNDERSERVED POPULATIONS	84.315	195,858
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS FOR CHILDREN WITH DISABILITIES	84.325	317,870
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS	84.394	376,928
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	475,931

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
ARRA - SCHOLARSHIPS FOR DISADVANTAGED STUDENTS	93.407	153,680
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	801,929
SCHOLASHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	234,640
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	701,314
SENIOR COMPANION PROGRAM	94.016	317,915
HOMELAND SECURITY-RELATED SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (HS STEM) CAREER DEVELOPMENT PROGRAM	97.104	142,481
Total University of the District of Columbia		46,197,565
 Office of Justice Grants Administration		
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523	70,857
JUVENILE JUSTICEAND DELINQUENCY PREVENTION_ALLOCATION TO STATES	16.540	597,243
STATE JUSTICE STATISTICS PROG FOR STATICAL ANALYSIS CENTERS	16.550	197,181
EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579	1,902,110
ARRA - EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579	5,180,447
ED BYRNE MEMORIAL STATE & LOCAL LAW ENFORCEMENT ASSISTANCE GRANTS	16.580	475,742
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593	94,843
JOHN R JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	16.816	92,414
REINTEGRATION OF EX-OFFENDERS	17.270	(40,708)
Total Office of Justice Grants Administration		8,570,130
 District of Columbia Public Schools		
IMPACT AID	84.041	430,397
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	769,055
HEAD START	93.600	7,215,675
HEAD START - PASS-THROUGH FUNDING	93.600	3,829,926
ARRA - HEADSTART CONSOLIDATED	93.708	673,299
Total District of Columbia Public Schools		12,918,352
 Office on Aging		
SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 2_LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	93.042	152,292

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	1,851,841
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	93.045	3,198,802
SPECIAL PROGRAMS FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	159,267
ALZHEIMERS'S DISEASE DEMONSTRATION GRANTS TO STATES	93.051	252,852
NATIONAL FAMILY CAREGIVERS SUPPORT TITLE III PART E	93.052	727,524
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	600,142
MEDICARE ENROLLMENT ASSISTANCE PROGRAM	93.071	14,373
DC LIFESPAN RESPITE PROGRAM	93.072	42,111
AFFORDABLE CARE ACT - AGING AND DIABILITY RESOURCE CENTER	93.517	2,200
AFFORDABLE CARE ACT - MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS	93.518	16,921
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART G_PREVENTION OF ABUSE, NEGLECT, & EXPLOITATION OF OLDER INDIVIDUALS	93.552	27,845
CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS) RESEARCH , DEMONSTRATIONS AND EVALUATIONS	93.779	191,671
Total Office on Aging		7,237,841
 Department of Mental Health		
SUPPORTIVE HOUSING PROGRAM	14.235	170,152
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150	230,321
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	683,841
MEDICAL ASSISTANCE PROGRAM	93.778	3,537,850
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	587,870
Total Department of Mental Health		5,210,034
 Metropolitan Police Department		
NATIONAL INSTITUTE OF JUSTICE RESEARCH, EVALUATION & DEVELOPMENT PROJECT	16.560	55,051
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582	170,000
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	2,804,706
JUVENILE MENTORING PROGRAM	16.726	232,638
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	103,449
GANG INTELLIGENCE INITIATIVE	16.753	90,926

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
NATIONAL MOTOR CARRIER SAFETY	20.218	724,191
STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT GRANTS	20.610	5,616
BOATING SAFETY FINANCIAL ASSISTANCE	97.012	996,521
MISC. FEDERAL PROGRAM/MOU	16.UNK	728,787
Total Metropolitan Police Department		5,911,885
 Office of Victim Services		
CRIME VICTIM ASSISTANCE PROGRAM	16.575	1,192,988
ARRA - CRIME VICTIM ASSISTANCE PROGRAM	16.575	(20,968)
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	821,692
ARRA - VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	(50,219)
GRANTS TO ENCOURAGE ARREST POLICIES & ENFORCEMENT OF PROTECT ORDERS	16.590	307,276
Total Office of Victim Services		2,250,769
 Deputy Mayor for Economic Development		
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.607	344,742
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	3,093,883
Total Deputy Mayor for Economic Development		3,438,625
 Serve DC/Office of the Mayor		
STATE COMMISSIONS	94.003	151,933
LEARN AND SERVE AMERICA_SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	54,464
LEARN AND SERVE AMERICA_HIGHER EDUCATION	94.005	286,688
AMERICORPS	94.006	2,880,257
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	38,175
TRAINING AND TECHNICAL ASSISTANCE	94.009	75,390
Total Serve DC/Office of the Mayor		3,486,907
 Office of the Inspector General		
STATE MEDICAID FRAUD CONTROL UNITS	93.775	1,695,505
Total Office of the Inspector General		1,695,505

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
DC National Guard		
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401	1,722,306
NATIONAL GUARD CHALLENGE PROGRAM	12.404	618,726
Total DC National Guard		2,341,032
DC Public Library		
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	950,126
GRANTS TO STATES	45.310	947,904
Total DC Public Library		1,898,030
Commission on Arts & Humanities		
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	816,341
Total Commission on Arts & Humanities		816,341
Office of the Chief Financial Officer		
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	1,025,225
Total Office of the Chief Financial Officer		1,025,225
Department of Youth Rehabilitation Services		
WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	17.261	1,262,670
Total Department of Youth Rehabilitation Services		1,262,670
Office of Municipal Planning		
ARRA - ECONOMIC ADJUSTMENT ASSISTANCE	11.307	129,878
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	484,995
PUBLIC BUILDINGS SERVICE	39.012	11,216
Total Office of Municipal Planning		626,089
Office of the Chief Technology Officer		
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	5,809,286

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
ARRA - STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM	11.558	458,208
NATIONAL SPATIAL DATA INFRASTRUCTURE COOPERATIVE AGREEMENTS PROGRAM	15.809	30,000
Total Office of the Chief Technology Officer		6,297,494
Department of Small & Local Business Development		
STRENGTHENING COMMUNITIES FUND	93.711	106,018
PROCUREMENT TECHNICAL ASSISTANCE FOR BUSINESS FIRMS	12.002	152,329
Total Department of Small & Local Business Development		258,347
Office of Human Rights		
FAIR HOUSING ASSISTANCE PROGRAM_STATE AND LOCAL	14.401	212,423
EMPLOYMENT DISCRIMINATION_TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001	337,758
Total Office of Human Rights		550,181
Public Service Commission		
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700	190,619
PHMSA PIPELINE SAFETY PROGRAM ONE CALL GRANT	20.721	44,688
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, RESEARCH, DEVELOPMENT AND ANALYSIS	81.122	273,948
Total Public Service Commission		509,255
Office of Disability Rights		
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630	379,463
Total Office of Disability Rights		379,463
Department of Corrections		
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606	411,856
Total Department of Corrections		411,856
Department of Motor Vehicles		
NATIONAL MOTOR CARRIER SAFETY	20.218	181,268
DRIVER LICENSE SECURITY GRANT PROGRAM	97.089	326,890

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency**

For the Year Ended September 30, 2011

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
Total Department of Motor Vehicles		508,158
Department of Insurance, Securities and Banking		
AFFORDABLE CARE ACT (ACA) GRANTS TO STATES FOR HEALTH INSURANCE PREMIUM REVIEW	93.511	114,558
Total Department of Insurance, Securities and Banking		114,558
Criminal Justice Coordinating Council		
STATE JUSTICE STATISTICS PROG FOR STATICAL ANALYSIS CENTERS	16.550	34,607
Total Criminal Justice Coordinating Council		34,607
Total SEFA		3,350,906,015

Government of the District of Columbia

Notes to the Schedule of Expenditures
of Federal Awards
Year Ended September 30, 2011

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Schedules of Expenditures of Federal Awards (the Schedules) include the activity of all federal award programs administered by the Government of the District of Columbia (District), except for the District of Columbia Housing Finance Agency (HFA) and the District of Columbia Water & Sewer Authority (WASA), for the fiscal year ended September 30, 2011. These component units engaged other auditors to perform an audit in accordance with OMB Circular A-133, and, as such 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 (Catalog). Federal award program titles not presented in the Catalog are identified by Federal awarding agency's two digit prefix (or 99) followed by (contract number or UNKNOWN).

Basis of Accounting

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

Matching Costs

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

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2011**

Note 2. Relationship to Federal Financial Reports

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

Note 3. Federally Funded Loan Programs

Home Investment Partnerships Program (CFDA #14.239)

The amount in the accompanying schedules is \$5,396,473. The outstanding loans cumulative balance as of September 30, 2011, is \$69,259,649.

Beginning Balance	\$63,608,357
Add: New Loans	<u>2,373,267</u>
	65,981,624
Less: Principal Payments	(631,592)
Other Adjustments	<u>3,909,617</u>
Ending Balance	<u>\$69,259,649</u>

Federal Direct Student Loan Program (CFDA #84.268)

The District, through the University of the District of Columbia (UDC), participates in the Federal Direct Student Education Loan Program. Beginning July 1, 2010, the University of the District of Columbia began participating in the Federal Direct Loans Program making disbursements during the summer semester 2010 in the amount of \$114,791. In FY 2011, new loans made to students enrolled at the University of the District of Columbia under the Federal Loan Program, CFDA #84.268, totals \$16,982,257. This amount is included in the Schedules.

Beginning Balance	\$ 114,791
Add: New Loans	<u>16,982,257</u>
	17,097,048
Less: Principal Payments	<u>-</u>
Ending Balance	<u>\$17,097,048</u>

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2011**

Federal Student Financial Assistance

The composition of the University of the District of Columbia (UDC) Federal Student Financial Assistance in FY 2011 is as follows:

<u>Program Title</u>	<u>CFDA #</u>	<u>Amount</u>
Federal Direct Student Loans	84.268.	\$16,982,257
Federal Pell Grant	84.063	13,766,856
Federal Work-Study Program	84.033	178,446
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	<u>780,224</u>
Subtotal – U.S. Department of Education		<u>31,707,783</u>
Scholarships For Health Professions Students From Disadvantaged Students	93.925	234,640
ARRA –Scholarships for Disadvantaged Students	93.407	<u>153,680</u>
Subtotal – U.S. Department of Health And Human Services		<u>388,320</u>
Total – Federal Student Financial Assistance		<u>\$32,096,103</u>

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

During fiscal year 2011, the District received cash rebates from infant formula manufacturers totaling \$3,540,367 on sales of formula to participants in the WIC program (CFDA #10.557), which are netted against total expenditures included in the Schedules. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

Note 5. Non-Cash Awards

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

Food Stamps Program – EBT Redemption

The food stamps program recorded the gross up of the amount of food stamps totaling \$227,783,203 that were used by the District citizens for FY 2011. The

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2011**

Food Stamp Program is a program that is funded by the Federal Government, and these expenditures are not charged against the District's budget but included in the SEFA as CFDA #10.551 in compliance with the United States Department Agriculture guidance on Reporting Expenditures of Supplemental Nutrition Assistance Program (SNAP) Funding in Connection With A-133 Single Audits.

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 16.55 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

Commodities – Food Nutrition Service

The total non-cash award value for food commodities (e.g. milk, cheese, etc.) provided to the District of Columbia Office of the State Superintendent of Education during fiscal year 2011 is \$1,975,334, with \$1,104,760 distributed to the District of Columbia Public Schools and the remaining non-cash award to other local educational agencies (LEAs) in the District. This non-cash award is a program that is funded by the U.S. Department of Agriculture (USDA) under CFDA #10.579, and these amounts are not included in the SEFA.

Note 6. Unemployment Insurance

State unemployment tax revenues and government, tribal, and non-profit reimbursements in lieu of State taxes (State UI funds) must be deposited to the Unemployment Trust Fund in the U.S. Treasury, and are primarily used to pay benefits under the federally-approved State unemployment law. Consequently,

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2011**

State UI funds as well as Federal funds are included in the total expenditures of CFDA #17.225 in the accompanying Schedules.

The composition of CFDA #17.225 in fiscal year 2011 is as follows:

State UI Benefits	\$175,004,117
Federal UI Benefits	12,304,094
Federal Extended UI Benefits	219,078,654
Federal UI Administrative Expenditures	<u>20,105,081</u>
Subtotal	426,491,946
Additional Federal Unemployment Compensation ARRA – Federal UI	<u>\$3,533,428</u>
Total	<u>\$430,025,374</u>

Note 7. Head Start

In fiscal year 2010 the D.C. Public Schools received additional Head Start funds passed through from the United Planning Organization as a delegate to provide services under the Head Start program. These pass through funds are included under CFDA #93.600.

<u>Grant</u>	<u>CFDA #</u>	<u>Expense Reported</u>
Head Start & Early Head Start	93.600	\$3,829,926

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2011**

Note 8. Subrecipients

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

<u>Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Homeland Security Grant Program	97.067	\$60,636,269
HIV Emergency Relief Project Grants	93.914	27,935,056
Community Development Block Grants (CDBG)	14.218	19,297,378
ARRA – Multi Family Rehab Acquisition	14.253	3,079,430
Housing Opportunities for Person with AIDS	14.241	11,920,123
Title II HIV Care Grants	93.917	3,378,904
Low Income Home Energy Assistance Program	93.568	1,593,103
School Breakfast Program	10.553	3,056,596
National School Lunch Program	10.555	8,297,467
Special Milk Program for Children	10.556	49,236
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	3,940,812
Summer Food Service Program for Children	10.559	2,878,521
State Energy Program	81.041	8,823,360
Title I Grants to Local Education Agency LEA	84.010	27,731,601
Special Education Grants to States	84.027	3,472,194
Special Education – Preschool Grants	84.173	93,304
ARRA – Special Education Grants to States	84.391	1,316,184
ARRA – Special Education – Preschool Grants	84.392	35,548
Improving Teacher Quality State Grants	84.367	5,388,151
ARRA – State Fiscal Stabilization Fund (SFSF) Race to the Top Incentive Grant	84.395	3,730,163
ARRA – Education Jobs Fund	84.410	5,817,776
ARRA – Child Care and Development Block Grant	93.713	582,733
Child Care Mandatory and Matching Funds of the Child Care & Development Block Grant	93.596	6,155,424
Child Care and Development Block Grant	93.575	2,354,227
Total		<u>\$211,563,560</u>

Government of the District of Columbia

Schedule of Findings
And Questioned Costs
Year Ended September 30, 2011

1. Summary of Auditors' Results

Basic Financial Statements

- a) An unqualified opinion was issued on the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District) as of and for the year ended September 30, 2011.
- b) The audit identified no material weaknesses and two significant deficiencies in internal control over financial reporting in connection with the basic financial statements of the District as of and for the year ended September 30, 2011.
- c) The audit disclosed an instance of noncompliance that is material to the basic financial statements of the District as of and for the year ended September 30, 2011.

Single Audit

- d) The audit of Federal financial assistance disclosed material weaknesses and significant deficiencies that were reported in connection with major Federal programs of the District for the year ended September 30, 2011.
- e) The type of report issued on compliance for each major program is as follows:

#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
1	Supplemental Nutrition Assistance Program	10.551, 10.561	Qualified
2	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	Scope Limitation
3	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Qualified
4	Community Development Block Grants/Entitlement Grants	14.218, 14.253	Adverse
5	HOME Investment Partnerships Program	14.239	Qualified
6	Housing Opportunities for Persons with AIDS	14.241	Qualified
7	Unemployment Insurance	17.225	Unqualified
8	Highway Planning and Construction	20.205	Unqualified
9	Grants in Lieu of Tax Credits	21.GRDC15	Unqualified
10	State Energy Program	81.041	Unqualified
11	Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Adverse
12	Title I Grants to Local Educational Agencies	84.010, 84.389	Qualified
13	Special Education Cluster	84.027, 84.173, 84.391, 84.392	Qualified
14	Vocational Rehabilitation Grants to States	84.126, 84.390	Qualified
15	Improving Teacher Quality State Grants	84.367	Qualified
16	States Fiscal Stabilization Fund – Race to the Top	84.395	Unqualified
17	Education Jobs Fund	84.410	Unqualified
18	Temporary Assistance for Needy Families	93.558, 93.714	Qualified
19	Child Support Enforcement	93.563	Qualified
20	Low-Income Home Energy Assistance Program	93.568	Unqualified
21	Community Services Block Grant	93.569	Unqualified
22	Head Start	93.600, 93.708	Unqualified
23	Child Care and Development Fund Cluster	93.575, 93.596, 93.713	Qualified
24	Foster Care – Title IV-E	93.658	Qualified

#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
25	Adoption Assistance	93.659	Qualified
26	Children's Health Insurance Program	93.767	Qualified
27	Medical Assistance Program	93.775, 93.777, 93.778	Qualified
28	HIV Emergency Relief Project Grants	93.914	Scope Limitation / Qualified
29	HIV Care Formula Grants	93.917	Qualified
30	Homeland Security Grant Program	97.067	Qualified

f) There were audit findings that are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended September 30, 2011.

g) The major Federal programs of the District for the year ended September 30, 2011, were as follows:

#	Major Program/Cluster	CFDA Number(s)
1	Supplemental Nutrition Assistance Program	10.551, 10.561
2	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
3	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
4	Community Development Block Grants/Entitlement Grants	14.218, 14.253
5	HOME Investment Partnerships Program	14.239
6	Housing Opportunities for Persons with AIDS	14.241
7	Unemployment Insurance	17.225
8	Highway Planning and Construction	20.205
9	Grants in Lieu of Tax Credits	21.GRDC15
10	State Energy Program	81.041
11	Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268, 93.407, 93.925
12	Title I Grants to Local Educational Agencies	84.010, 84.389
13	Special Education Cluster	84.027, 84.173, 84.391, 84.392
14	Vocational Rehabilitation Grants to States	84.126, 84.390
15	Improving Teacher Quality State Grants	84.367
16	States Fiscal Stabilization Fund – Race to the Top	84.395
17	Education Jobs Fund	84.410
18	Temporary Assistance for Needy Families	93.558, 93.714
19	Child Support Enforcement	93.563
20	Low-Income Home Energy Assistance Program	93.568
21	Community Services Block Grant	93.569
22	Head Start	93.600, 93.708
23	Child Care and Development Fund Cluster	93.575, 93.596, 93.713
24	Foster Care – Title IV-E	93.658
25	Adoption Assistance	93.659
26	Children's Health Insurance Program	93.767
27	Medical Assistance Program	93.775, 93.777, 93.778
28	HIV Emergency Relief Project Grants	93.914
29	HIV Care Formula Grants	93.917
30	Homeland Security Grant Program	97.067

h) The dollar threshold used to distinguish between type A and type B programs was \$10,192,867 for Federal awards for the year ended September 30, 2011.

- i) The District did not qualify as a low-risk auditee for the year ended September 30, 2011.

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

Finding 2011-01 – Weaknesses in the District’s General Information Technology Controls (Significant Deficiency)

Background:

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

The GITC environment is undergoing significant transition during fiscal year 2011. The District is currently in the process of modernizing its District-wide System of Accounting and Reporting. As a result, certain deficiencies previously identified will continue to exist, as they will not be remediated until the new system is implemented. Additionally, the District has already remediated other GITC deficiencies during fiscal year 2011. However, as these remediation efforts did not take place until fiscal year 2011 was well under way, the conditions continued to exist during part of the fiscal year and thus are included in this year’s report.

Our fiscal year 2011 findings included the following:

Access to Programs and Data

Conditions:

1. Failure to consistently restrict privileged and general user access to key financial applications in accordance with employee job responsibilities or segregation of duties considerations.
2. Inconsistent performance and documentation of both physical and logical user access administration activities, including the approval of new user access and access changes, periodic review of user access rights, including whether user access is commensurate with job responsibilities, and timely removal of user access upon employee termination.
3. Use of generic accounts to perform system administration or end user functions within key applications without adequate monitoring controls over such activities.
4. Failure to update the policy that defines the minimum password configuration requirements for the District’s Information Technology (IT) systems in approximately seven years. Further, inquiry and inspection procedures performed indicate that the policy was not effectively communicated to responsible personnel. Specifically, we determined:
 - a. The Office of the Chief Technology Officer (OCTO) Password Management Policy, last revised in November 2004, does not require that systems be configured to automatically lock out user accounts after a predefined number of invalid log-on attempts.

- b. There were various inconsistencies between the requirements outlined in the OCTO Password Management Policy and configurations set within certain applications and their supporting databases and operating systems.
- c. There is potentially confusing language around the scope of the policy, which indicates it is to include “all District Government agencies and all users of DC Government computing equipment” when, in fact, the Office of the Chief Financial Officer (OCFO) is not under the direction of this policy.

Program Changes

Conditions:

1. Failure to institute well-designed program change policies that establish procedural and documentation requirements for authorizing, developing, testing, and approving changes to key financial applications and related infrastructure software¹ in the production environment.
2. Inconsistent adherence to established program change management procedures, including instances in which changes made to the system were not approved, tested or documented appropriately per the established procedures.
3. Failure to consistently restrict developer access to the production environments of key financial applications in accordance with segregation of duties considerations or, if not feasible, implement independent monitoring controls to help ensure changes applied to the production environment are authorized.

Program Development

Conditions²:

1. Failure to consistently follow and provide documentation for system development life cycle policies for authorizing, developing, testing, and approving system developments to key financial systems.
2. Failure to consistently restrict developer access to the production environments of key financial applications in accordance with segregation of duties considerations or, if not feasible, implement independent monitoring controls to help ensure changes applied to the production environment are authorized.
3. Usage of generic accounts during the implementation to apply changes to the application, operating system, and underlying database with no evidence of monitoring of these generic accounts.

Computer Operations

¹ Infrastructure changes refer to software changes and updates applied to underlying operating systems and databases supporting the key financial applications.

² Systems Development findings are specific to the Banner application at the University of the District of Columbia in FY 2011.

Conditions:





1. Failure to establish a monitoring process for identifying and addressing production job failures in several systems.
2. Failure to retain system-generated documentation from the scheduling and processing utility to evidence the completion status of system jobs scheduled through the applications' utilities.

The table below summarizes the key financial applications that were impacted by the findings noted above.

Table 1: Summary of Applications Impacted by the Findings

Application	Access to Program and Data	Program Changes	Program Development	Computer Operations
PeopleSoft		N	N/A	
TACIS			N/A	
PASS			N/A	
ACEDS			N/A	
DOCS	N			N
DUTAS	N		N/A	N
BARTS			N/A	
MEDITECH Health Care Information System (HCIS)	N		N/A	
TAS	N	N	N/A	
SOAR	N	N	N/A	
iNovah	N	N	N/A	
Banner	T	T	T	

Legend:

-  No prior year findings remediated in FY 2011.
-  Prior year findings partially remediated in FY 2011.
-  Prior year findings fully remediated in FY 2011.
-  Prior year findings not tested in FY 2011 due to other control objective failures.
- N New findings noted in FY 2011.
- T Findings noted in FY 2011; system not tested in prior year.
- N/A Not applicable; no systems development work was done within FY 2011.

Criteria:

1. The Federal Information Security Management Act (FISMA), passed as part of the Electronic Government Act of 2002, mandates that Federal entities maintain IT security programs in accordance with National Institute of Standards and Technology (NIST). The following NIST criteria were considered:
 - a) NIST SP 800-12, An Introduction to Computer Security: The NIST Handbook, October 1995;

- b) NIST SP 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations, August 2009;
 - c) NIST SP 800-64, Security Considerations in the System Development Life Cycle, October 2008; and
 - d) NIST SP 800-14, Generally Accepted Principles and Practices for Securing Information Technology, September 1996.
2. The Information Systems Audit Control Association (ISACA) Control Objectives for Information and related Technology (COBIT®) 4.1, 2007.

Cause/Effect:

The findings highlighted above include weaknesses in both the design and operating effectiveness of controls considered relevant to the access to programs and data, program changes, program development, and computer operations areas. Although management has made progress remediating previous findings, additional improvements in formalizing key GITC processes and creating an effective monitoring function are needed. The existence of these findings increases the risk that unauthorized changes applied to key financial applications and the data they process adversely affect application processing and data integrity and, as a result, may materially impact the financial statements. Additionally, the existence of these findings impacts the reliability of key application reports and the ability to rely upon automated, configurable controls embedded within key financial applications.

Recommendations:

We noted that management did remediate several control deficiencies from the prior year across both access to programs and data and program changes. We recommend that management continue to perform the remediated control activities put in place. Further, we recommend that management monitor the effectiveness of these controls on a regular and periodic basis going-forward.

To the extent the following findings are not remediated, we recommend the following:

1. Related to Access to Programs and Data controls, we recommend that management:
 - a. Assess and update or, as applicable, develop and document access management policies and procedures for production applications and underlying infrastructure systems. These policies and procedures should address requirements for clearly documenting user access requests and supervisory authorizations, periodic reviews of the appropriateness of user access by agency business management, timely communication of employee separations/transfers, and disablement/removal of the related user access. Management should formally communicate policies and procedures to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.
 - b. Develop and implement controls that establish organizational and logical segregation between program development roles, production administration roles, and business end user roles among different individuals or, independently performed monitoring of the activities of users provided with conflicting system access over the activities of the developers (and other individuals) with administrative access that require the documentation of monitoring activities as well as follow up on any suspicious behavior within the system.

- c. Restrict the use of generic IDs or, if such access is required, implement independent monitoring of the activities performed using generic IDs.
- d. Develop and implement a process to review, update, and communicate a District-wide password management policy to responsible individuals on a periodic basis to help ensure it remains current and does not conflict in scope or content with other similar policies enacted across the District. We further recommend that this policy include, at a minimum, requirements for the following password configuration settings:
 - i. Minimum password length;
 - ii. Password aging and update requirements;
 - iii. Password complexity (e.g., at least one number, letter, and special character);
 - iv. User account lockout after a predefined number invalid logon attempts; and
 - v. Password history/reset restrictions.

In support of the recommended remediation, management should reconfigure existing password configuration settings at the application, operating system and database level, where applicable, in accordance with the District-wide password management policy. Finally, we recommend that management monitor adherence to the policy.

- e. Develop and formally document the physical access management policy and procedures for all server rooms. We recommend that these include, at a minimum, procedural and documentary requirements for:
 - i. Requesting and approving physical access;
 - ii. Timely disablement/removal of physical access rights during instances of employee separations; and
 - iii. Performing periodic reviews of access in consideration of users' ongoing need to retain physical access, and the modification of any updates required as a result of inappropriate access identified during the review process.

2. Related to Program Change controls, we recommend that management:

- a. Develop and implement change management processes and controls that establish one or more of the following:
 - i. Organizational and logical segregation of program development roles from production system and database administration roles among different individuals; and
 - ii. Implementation of one or more independently operated monitoring controls over the activities of the developers (and other individuals) with administrative access that require the documentation of monitoring activities as well as follow up on any suspicious behavior within the system.
 - iii. Additionally, management should continue to document the performance of User Acceptance Testing (UAT).

3. Related to Program Development Controls, we recommend that management:

- a. Develop and implement program development processes and controls that establish one or more of the following:
 - i. An evaluation of the generic accounts that exist and documentation of the purpose of each generic account required to remain active, if any. Furthermore, for generic accounts that are required to remain active, we recommend management implement a formal process to approve and document each access request to generic accounts and perform a documented periodic review of generic account activity.
 - ii. The implementation of procedural and documentary requirements for:
 - Recording the nature of each change being applied;
 - Evaluating the impact and risk of each change relative to objective rating criteria;
 - Approving (and documenting such approvals of) changes; and
 - Validating the functionality/system impact of each change via pre-production testing in a model environment.

These policies/procedures should be provided to and discussed with control performers. Further, management should monitor control performer adherence to policies/procedures periodically.

4. Related to Computer Operations controls, we recommend that management:

- a. Implement any required changes to support an extended retention of job processing logs in support of audit requirements. Additionally, we recommend that management continue to save daily Excel reports produced by systems to limit the impact of any future archival issues.
- b. Document the completion of the new process put in place to monitor open application incidents reported to the OCFO Help Desk that are forwarded to the TSG, and also to ensure that they are remediated within a defined time period that is acceptable to application owners.

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

Views of Responsible Officials

The District agrees that there are weaknesses in its general information technology controls and has taken measures to address many of the issues raised by the auditors. For some of the issues, however, there simply are no “quick fixes.” Consequently, full remediation of the problems identified will require a longer period of time to develop and implement the appropriate actions.

Some of the measures implemented between 2010 and 2011 include the following:

Tax Administration System (TAS)

To address issues pertaining to access to programs and data, the District has completed the following with respect to the referenced systems:

- Implemented a new security report and signoff workflow application;

- Documented the policies and procedures related to the specific time requirements for completing user access reviews, modifying application privileges to remove any inappropriate access levels identified during reviews, and assigning accountability for the performance of these reviews;
- Incorporated the new policies and procedures into the workflow application;
- Modified the current policy and process to add a supervisory authorization requirement for user access request;
- Implemented a formalized, periodic review process to ensure individuals are not provided the ability to both approve quality assurance (QA) testing and approve migration to production for TAS application changes;
- Updated existing change management policies and procedures to require that documentation of testing results is completed prior to migrating TAS application changes into production;
- Implemented a formalized, periodic review process to determine whether users who have the ability to migrate TAS application changes into production require this access to perform their job responsibilities; and
- OCIO management instituted a formalized reporting mechanism to bring critical help desk ticket open issues to the bi-weekly prioritization meeting for discussion and prioritization and address the non-critical issues through the help desk incident management process.

BARTS/DOCS/DUTAS

- Developed an electronic routing system for access approval flow;
- Reviewed and updated the access control framework and documentation;
- Began performing regular reviews and created reports documenting user and generic access by level and system;
- Established an Access Control Board, consisting of DOES management, to semi-annually review existing access grants (including generic grants) and evaluate their appropriateness (the Board also reviews the access reports for suspect behavior and takes the actions as deemed to be appropriate and necessary);
- Reviewed, updated, finalized and published all OIT policy documents to the OIT policy document library and required all pertinent personnel to review them;
- Held training seminars on the OIT document library; and
- Consolidated the existing ticketing systems into a single OIT issue tracking system.

PASS

- Copies of OCFO Security Policy and Procedures were distributed to each Agency Security Officer (ASO);
- ASOs are required to maintain a working copy and an updated copy of security access reports to show before and after processing;
- Deletion of financial system logon IDs was included as a separate item on the Separation Clearance Form to be signed off by the ASO upon an employee's separation from an agency; and
- Created a standardized worksheet that is to be used as a reporting tool for modifications and deletions needed as a result of the security review.

PeopleSoft

- Identified the applicable IT governance policies to manage the network security;

- Began development of a PeopleSoft System Security Plan which details the functional and technical procedures and mechanisms for PeopleSoft security;
- Communicated with the PeopleSoft Governance Committee to obtain approval for the Security Plan;
- Updated/reviewed current configuration management changes with technical staff; and
- Eliminated/reduced the usage of the “aribasystem” generic user account.

Meditech

- UMC IT staff perform routine reviews of user access to assess compliance with established policies; and
- On a quarterly basis, UMC IT staff selects at least two users groups from the functional areas such as: Radiology, Emergency Room, Patient Billing, for access review.

To address issues pertaining to program changes, the District has completed the following with respect to the referenced systems:

PeopleSoft

- Began work to create a Technical Operations Runbook and Configuration Management Guide for PeopleSoft;
- Implemented the Agile software development methodology; and
- Discussed the development of the Runbook and Configuration Management Guide and implementation of the Agile methodology with the PeopleSoft Governance Committee.

Banner

Deficiencies were also noted with respect to Banner, a system recently implemented by the University of the District of Columbia (the University). The University concurs with the findings as presented by the auditors and has taken measures to address many of the issues noted. For example, the University has:

- Established a Banner Users Group to start reviewing user access in accordance with the established security classes and roles;
- Made plans to continue working with individual business units and departments to assign University functions to specific Banner roles;
- Implemented policies and procedures to minimize the number of generic accounts;
- Begun working with the University’s Human Resources Department to develop and implement a communication process to notify Banner Project Management of personnel changes that affect the roles of individuals using Banner;
- Removed Banner Project consultants’ access to generic accounts; one consultant can make data changes in production using a “personal” account and this consultant’s system use is closely monitored;
- Initiated a review of Banner ERP Security Access;
- Developed and implemented a new Change Control Policy that requires a Change Control Form in order to request, track, and approve system and application changes;
- Began the process for procuring Change Management Software; and
- Instituted a policy requiring all Banner System users to sign a confidentiality agreement prior to being provided database access to the Banner System.

The actions delineated above represent only a portion of the steps taken to address issues in the area of General Information Technology Controls. The District fully recognizes that although much has been accomplished in improving IT controls, there is much yet to be done. The District will continue to be diligent in its efforts to strengthen IT controls and maximize overall operational efficiency.

Finding 2011-02 – Weaknesses in the District’s Procurement and Disbursement Controls (Significant Deficiency)

Background:

The District expends over \$8 billion per year in non-personnel related expenditures. In order to be as efficient and effective as possible, the District has established policies and procedures at the Office of Contracts and Procurement (OCP), as well as at those agencies that have independent procurement authority, to procure goods and services and to make payments for those goods and services. Further, these policies and procedures serve to ensure the District’s compliance with various laws and regulations governing procurement and payment, such as the Procurement Practices Act and the Quick Payment Act.

OCP has implemented a comprehensive, multi-year remediation plan to address previously identified deficiencies and has completed the steps scheduled for FY 2011 implementation. A key aspect of the remediation plan is addressing the governance framework and the risk assessment capabilities of OCP. Some of the key aspects of the remediation plan implemented in FY 2011 are as follows:

- **May 14, 2011** – For the first time, delivered an agency-wide CAFR debrief (FY 2010) to all staff and shared lessons learned and remediation action steps with both OCP-dependent and independent agencies with stand-alone procurement operations;
- **June 9, 2011** – Distributed an official memo to contracting officers reiterating their responsibilities for maintaining complete and accurate contract files, and the consequences (penalties) for any failures to comply, identified through audits and other means, which includes loss of delegated authority, suspension and/or termination;
- **June 14, 2011** – Delivered presentation to the Audit Division of the Office of the Inspector General as part of the FY 2012 Audit Symposium and Planning Conference. Provided an overview of the plans for OCP and OPIC, all of which have been or are in the process of being implemented. Also, highlighted opportunities for collaboration.
- **August 22 - August 26, 2011** – Peer review of OCP’s Office of Procurement Integrity and Compliance (OPIC) conducted by the Association of Local Government Auditors (ALGA). OPIC (internal audit group) deemed to be satisfactorily complying with Yellow Book standards.
- **September 1 - September 30, 2011** – OCP realignment plan implemented/executed. OPIC reorganized to include expansion of scope and frequency of audit and compliance activities. Risk Controls Framework developed containing over 200 risk statements for 5 procurement-specific lines of business and 3 support lines of business. FY 2012 goal is to mainstream the use/understanding of this tool throughout the organization.

Subsequent to the 2011 fiscal year end, the District also implemented the following:

- **November 8, 2011** - Directive issued to all contracting officers mandating the upload of all newly awarded and active contracts (as of October 1, 2011) into OCP’s Contracts Compliance Module by December 31, 2011.
- **November 14, 2011; December 21, 2011 (Follow-Up)** – Directive issued to all agency directors (including those independent of CPO authority), contract administrators and contracting officers

alerting them of the need to complete refresher training; beginning December 5th, the commencement of ‘penalty free’ contract administration audits performed by OPIC; changes to vendor evaluation procedures; and the commencement of official contract administration audits beginning February 27, 2012. For the first time, the official audit reports will be submitted to the City Administrator as well as affected agency directors and responsible staff.

However, as these remediation efforts did not take place until FY 2011 was well under way, the deficiency conditions continued to exist during part of the fiscal year and have been repeated.

Conditions:

1. We selected a sample of ninety-five (95) sole-source procurements executed by the District in FY 2011 and noted the following:

Lack of supporting documentation:

- a. For two (2) of ninety-five (95) sole-source procurements, adequate substantiating evidence was not maintained in the file documenting why, in the case of that respective procurement, a Determination and Findings (D&F) form was not required.
- b. For three (3) of ninety-five (95) sole-source procurements, the D&F form was not available for review.
- c. For five (5) of ninety-five (95) sole-source procurements, evidence showing that a search was performed to determine whether the vendor was debarred or suspended from doing business with the District was not available for review.
- d. For three (3) of ninety-five (95) sole-source procurements, the use of the sole-source method of procurement was not appropriate or adequately justified.
- e. For two (2) of ninety-five (95) sole-source procurements, the contract was not contained in the contract file.
- f. One (1) of ninety-five (95) files requested could not be located and made available for our inspection.

Inadequate approvals:

- g. For five (5) of ninety-five (95) sole-source procurements, the D&F was not approved by the respective Agency Director or Department Head.
 - h. For five (5) of ninety-five (95) sole-source procurements, the D&F was not approved by the Contracting Officer.
 - i. For one (1) of fifty-five (55) contracts, the Contracting Officer’s maximum approval authority was less than the amount of the procurement on the purchase requisition.
 - j. For three (3) of ninety-five (95) contracts, evidence of the Contracting Officer’s approval authority was not available for review.
 - k. For one (1) of ninety-five (95) sole-source procurements, there was no evidence as to whether the contractor was in compliance with the District tax filings requirement.
2. We also selected a sample of seventy (70) emergency procurements executed during FY 2011 and noted the following:

Lack of supporting documentation:

- a. For four (4) of thirty-seven (37) 'small' (\geq \$5,000 but $<$ \$100,000) emergency procurements tested, the applicable quotes were not made available for review.
- b. For one (1) of thirty-seven (37) 'small' emergency procurements, there was insufficient documentation substantiating that the appropriate number of quotations were received.
- c. For six (6) of twenty-four (24) 'large' (\geq \$100,000) emergency procurements, evidence showing that a search was performed to determine whether the vendor was debarred or suspended from doing business with the District was not available for review.
- d. For eight (8) of twenty-four (24) 'large' procurements tested, there was no evidence as to whether the contractor was in compliance with the District tax filings requirement.
- e. One (1) of twenty-four (24) 'large' procurements, the contract requested could not be located and made available for our inspection.
- f. For one (1) emergency procurement in excess of \$1 million, evidence of City Council approval and evidence of legal review by the Office of the Attorney General was not contained in the contract file.
- g. For eight (8) emergency procurements, the length of the procurement was not documented in the contract file.
- h. For three (3) emergency procurements, the D&F was not made available for review.
- i. For eleven (11) procurements, there was no evidence that the procurement was on a sole source basis or that there was competition.

Inadequate approvals:

- j. For one (1) emergency procurement, the D&F was not approved by the respective Agency Director or Department Head.
- k. For three (3) emergency procurements, the D&F was not approved by the Contracting Officer.
- l. For one (1) contract, the Contracting Officer's maximum approval authority was less than the amount of the procurement on the purchase requisition.
- m. For twenty-three (23) contracts, evidence of the Contracting Officer's approval authority was not available for review.

Non-compliance with emergency criteria requirement:

- n. For six (6) contracts inspected, the period of performance exceeded the 120 day maximum duration requirement for an emergency procurement.
3. We selected ninety-five (95) competitive procurements executed during FY 2011 for review and noted the following:

Lack of Supporting Documentation:

- a. For nine (9) of forty-six (46) 'small' (\geq \$5,000 but $<$ \$100,000) competitive procurements tested, the applicable quotes were not made available for review.
- b. For four (4) of forty-six (46) 'small' competitive procurements, there was insufficient documentation substantiating that the appropriate number of quotations were received.
- c. For fourteen (14) of forty-five (45) 'large' (\geq \$100,000) competitive procurements over \$100,000, there was insufficient documentation substantiating that the appropriate number of quotations were received.

- d. For fifteen (15) of forty-five (45) 'large' procurements tested, evidence showing that a search was performed to determine whether the vendor was debarred or suspended from doing business with the District was not available for review.
- e. For ten (10) of forty-five (45) 'large' procurements tested, there was no evidence as to whether the contractor was in compliance with the District tax filings requirement.
- f. For two (2) of forty-five (45) 'large' procurements tested, the contract was not contained in the contract file.
- g. For one (1) of eight (8) procurements in excess of \$1 million, evidence of City Council approval was not contained in the contract file.

Inadequate approvals:

- g. For one (1) of forty-nine (49) competitive procurements, the contract was not signed by the Contracting Officer.
 - h. For two (2) of forty-nine (49) competitive procurements, the Contracting Officer's maximum approval authority was less than the amount of the procurement on the purchase requisition.
 - i. For one (1) of forty-nine (49) competitive procurements, the contract amount was less than the PO amount and the legal sufficiency review from the OAG expired. When the contract was executed in August 2009, the contract was for \$3,628,719; however, the amount has since increased to \$11,371,705 with no additional modification to the contract, legal review, or Council approval able to be provided.
 - j. For five (5) of forty-nine (49) competitive procurements, evidence of the Contracting Officer's approval authority was not available for review.
4. We also selected ninety-five (95) direct vouchers for testing and noted eight (8) transactions were missing the required approval from the District's Office of Financial Operations and Systems (OFOS).
 5. During testing over purchase card (P-Card) transactions and monthly P-Card statement reconciliations, we noted the following deficiencies:
 - a. For two (2) of twenty-five (25) P-Card transactions for amounts over \$2,500, amounting to \$7,640 of \$171,793 tested, documentation to support the purchases was not available for review.
 - b. For three (3) of twenty (20) foreign transactions taking place outside of the U.S. (i.e. foreign transactions), documentation supporting the purchases was not made available for review.
 - c. For six (6) of twenty-five (25) monthly P-Card statement reconciliations selected, the monthly reconciliation was not performed timely.
 - d. For three (3) of twenty-five (25) monthly P-Card statement reconciliations selected, there was no evidence that the reconciliation was performed as the supporting documents were not made available for review.
 6. In our testing of procurement and disbursement transactions at the District of Columbia Public Schools (DCPS), we observed the following:
 - a. For three (3) contract files supporting payments totaling \$19,588, there was insufficient substantiating evidence for a subsequent modification of the respective purchase order; further, DCPS was not able to provide such support after it was not found in the contract files.

- b. For seven (7) purchase order files for payments totaling \$988,206, the files did not include a completed Determination of Reasonable Price and Award when the file was first provided by DCPS, specifically:
 - o For three (3) purchase order files for payment totaling \$2,068, the Contract Specialist had not indicated how the price for the procurement was deemed reasonable.
 - o For four (4) purchase order files for payments totaling \$986,138, the Determination of Reasonable Price Award was not signed by the Contracting Officer.
 - c. For one (1) contract file for payment totaling \$51,422, the file did not include the appropriate D&F form.
 - d. For two (2) contract files for payments totaling \$259,905, the file did not contain evidence of appropriate competitive vendor selection.
 - e. For thirteen (13) transactions totaling \$704,708, the respective purchase order and/or contract file was not provided by DCPS.
 - f. Three (3) disbursements totaling \$2,327 were incurred in the prior year, but were charged to current year expenditures and not properly accrued at the end of the prior year.
 - g. For one (1) purchase order in the amount of \$7,485, the Contracting Officer did not timely perform the 'Determination of Reasonable Price and Award' and 'Determination for Sole Source Procurement.' Both determinations were signed on 1/23/2012, the day the file was provided as support.
7. With regard to our testing of compliance with the District of Columbia Quick Payment Act, we determined that:
- a. Eighty-one (81) of seven hundred thirty-two (732) District payments (i.e. non-DCPS) selected for testing were not paid timely in accordance with the Quick Payment Act.
 - b. One hundred twenty-five (125) of four hundred twenty-five (425) DCPS payments selected for testing were not paid timely in accordance with the Quick Payment Act. All transactions were paid more than 30 days after the Office of the CFO received the invoice.

Criteria:

The Procurement Practices Act indicates the following:

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

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

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

DCMR chapter 17 states that *“An “emergency condition” is a situation (such as a flood, epidemic, riot, equipment failure, or other reason set forth in a proclamation issued by the Mayor) which creates an immediate threat to the public health, welfare, or safety. The emergency procurement of services shall be limited to a period of not more than one hundred twenty (120) days. If a long-term requirement for the*

supplies, services, or construction is anticipated, the contracting officer shall initiate a separate non-emergency procurement action at the same time that the emergency procurement is made. The contracting officer shall attempt to solicit offers or proposals from as many potential contractors as possible under the emergency condition. An emergency procurement shall not be made on a sole source basis unless the emergency D&F includes justification for the sole source procurement. When an emergency procurement is proposed, the contracting officer shall prepare a written determination and findings (D&F) that sets forth the justification for the emergency procurement.”

Financial Management and Control Order 07-004A states that *“Direct Voucher payment requests that are not explicitly identified in Financial Management and Control Order 07-004A, shall be submitted to the Deputy Chief Financial Officer for the Office of Financial Operations and Systems (OFOS) for consideration and approval in accordance with policy and procedures set forth for direct voucher payment review and consideration by OFOS.”*

According to the District Purchase Card program policies and procedures:

- **Purchase limit:** An individual who is issued a P-Card under the DC Purchase Card Program shall use the purchase card to buy commercially available goods and services, for *Official Government Business only*, with a value that does not exceed \$2,500 per single transaction and a total amount of \$2,500 per card per day and \$10,000 per card account per monthly cycle, **unless otherwise specified by the Chief Procurement Officer in the delegation of contracting authority.**
- **Reconciliation:** Each approving official will have a queue of all P-card statements waiting for them in the PaymentNet system. By the 27th of each month, the Approving Official should obtain original receipts from cardholders under their jurisdiction and ensures that the cardholders have reviewed all transactions in PaymentNet. The Approving Official should review each transaction to verify that the good or service were received, that the nature of the purchase was within programmatic guidelines, and that the receipts match the amount listed in PaymentNet. The Approving Official should mark each transaction as Approved in PaymentNet **by the 3rd day of the subsequent month.**

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

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

27 DCMR chapter 15

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

The requirements for allowable costs/cost principles are contained in the A-102 Common Rule (§____.22), OMB Circular A-110 (2 CFR section 215.27), OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments” (2 CFR part 225), program legislation, Federal awarding agency regulations, and the terms and conditions of the grant award. Management is required to maintain adequate internal controls to prevent and detect instances of noncompliance.

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

(a) Meat and meat food products - the seventh (7th) day after the date of delivery of the meat or meat product;

(b) Perishable agricultural commodities - the tenth (10th) day after the date of delivery of the perishable agricultural commodity; or

(c) All other goods and services - the thirtieth (30th) day after the receipt of a proper invoice by the designated payment officer.

Cause/Effect:

District agencies are not adhering to the established policies and procedures governing creation and maintenance of procurement documentation and the payment of vendor obligations, which may cause noncompliance with the Procurement Practices Act and the Quick Payment Act. Further, comprehensive monitoring controls were not established by OCP until FY 2011.

Recommendation:

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

Views of Responsible Officials

Office of Contracting and Procurement (OCP)

Unlike past years, results from the FY 2011 CAFR show deficiencies widely distributed across the District's decentralized procurement operations. In FY 2010, OCP operations, presently servicing 52 District agencies, accounted for sixty-eight percent (68%) of the approximately one hundred twenty four (124) deficiencies cited, with the balance attributed to procurement offices independent of the Chief Procurement Officer's (CPO's) authority. This year, OCP accounted for forty-one percent (41%) of the approximately 177 deficiencies cited, while independent agencies accounted for the balance, an increase from the preceding year. Given these results, the District acknowledges the need to closely coordinate oversight, monitoring and remediation activities to uniformly and systematically reduce instances of non-compliance.

In response to the FY 2010 CAFR findings, the Office of Contracting and Procurement (OCP) noted in part that, "*... While tangible results might not be immediate, we expect that periodic training/refreshers and regular compliance reviews will strengthen the control environment and ultimately improve compliance outcomes in subsequent fiscal years.*"

Consistent with this representation, OCP crafted and implemented a comprehensive multi-year remediation action plan, which, among other risk areas, addressed concerns relative to the award of sole source, emergency, small and large competitive procurements. As of September 30, 2011, ninety-seven

percent (97%) of planned actions had been ratified as fully implemented by the District's responsible oversight body.

Further, OCP's Office of Procurement Integrity and Compliance (OPIC) has increased the coverage and frequency of its audits and compliance reviews. Results are now reported in a 'Bellwether' Report to management detailing:

- The phases in the procurement lifecycle where audit concerns or violations have been identified;
- The total number of such concerns/violations by each phase;
- The prevailing themes;
- The accountable procurement staff; and
- Pertinent transaction details and actionable recommendations.

For the first time, quantifiable performance information is readily available to management, providing a near real-time snapshot of OCP issues. OCP will be using this data to correct unsatisfactory actions.

Also noteworthy is that close coordination between the External Auditor and OCP-OPIC is underway, to the extent practicable; to eliminate duplication of effort and to gain 'real-time' visibility into the conditions in the control environment before, during and after an audit engagement.

The District agrees that Purchase Card (P-Card) policies and procedures are not being followed consistently by all District agencies. However, and as communicated in the FY 2010 audit cycle, these findings refer to program oversight and surveillance reporting under the purview of each Agency Review Team (ART). The Office of Contracting and Procurement (OCP) has followed through on its prior year commitment to increase oversight activities. In FY 2012, following an agency-wide realignment, OCP's Office of Procurement Integrity and Compliance (OPIC) began random audits of select District agencies to augment training, administration and guidance provided by the District's P-Card Program Management Office (PMO).

District of Columbia Public Schools (DCPS)

Management concurs with the finding as noted by the auditors. To strengthen controls with respect to contracting and procurement, DCPS-Office of Contracts and Acquisitions (OCA) will provide training on Procurement Regulations, applicable D.C. Code, and other guidance pertaining to the retention of contract files.

To improve controls with respect to direct voucher payments, DCPS has amended its year-end accrual process instructions to include a checklist of items to review when requesting the accrual or processing of direct voucher payments at year-end. In addition, for direct voucher payments, a summary of key items requiring review will be disseminated to DCPS program and accounts payable staff.

To minimize the use of incorrect comptroller object codes, DCPS will re-emphasize the importance of approvers reviewing such codes for accuracy during the requisition and purchase order approval process. This will be communicated to staff in the form of a memorandum as well as through face-to-face discussion during staff meetings.

Office of Financial Operations and Systems

Management concurs with the finding as written regarding noncompliance with the Quick Payment Act. In August 2011, a joint memorandum issued by the Office of the Chief Financial Officer (OCFO) and the City Administrator was distributed to all agencies in order to communicate the prevalent causes for late vendor payments and to create a partnership between the District's program staff and the OCFO. The Office of Financial Operations and Systems (OFOS) will continue to bring awareness to the Quick Payment Act in FY 2012 by developing training material on the requirements of the "Act." OFOS will also meet with each cluster Controller and their respective Accounts Payable teams, to discuss this finding, to provide an understanding of the specific requirements of the Quick Payment Act, and to assist with identifying solutions to cluster issues that may prevent prompt payment.

3. Findings and Questioned Costs Related to Federal Awards:

Finding Number **2011-03**
Prior Year Finding Number **2010-07**

Federal Awarding Agency	CFDA Number(s)	Federal Program	Federal Award Number(s)
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	1DC400402
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	G-1DC300302 (10/1/10 – 9/30/11)
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	1111DC700W1003, 1111DC700W1006, 1111DC700W5003 (10/1/10-9/30/11)
Housing and Urban Development	14.218, 14.253	Community Development Block Grants / Entitlement Grants	B-09-MY-11-0100, B-10-MC-11-0100
Housing and Urban Development	14.239	HOME Investment Partnerships Program	M10-SG-11-0100 (10/1/10 – 9/30/11)
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	DCH10-F001 (10/1/10 – 9/30/11)
Labor	17.225	Unemployment Insurance	UI-21092-11-55-A-11 (10/1/10 – 9/30/11), UI-19575-10-55-A-11 (10/1/09 – 9/30/10)
Treasury	21.GRDC15	Grants in Lieu of Tax Credits	2009/#TDP2009GRDC15
Education	84.010, 84.389	Title I Grants to Local Educational Agencies	S010A100051A (7/1/10-9/30/11)
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	H027A100010 (7/1/10 – 9/30/11), H173A100006 (7/1/10 – 9/30/11), H391A090010 (7/1/09 – 9/30/10), H392A090006 (7/1/09 – 9/30/10)
Education	84.126, 84.390	Vocational Rehabilitation Grants to States	H126A11011-11F (10/1/10 – 9/30/11), H126A100011C (10/1/09 – 9/30/10)
Education	84.367	Improving Teacher Quality State Grants	S367A100008A (7/1/10 – 9/30/11)
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	S395A100048 (9/24/10 – 9/23/14)
Education	84.410	Education Jobs Fund	S410A100008 (8/10/10 – 9/30/11)
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	G-1102DCTANF, G-1002DCTANF, G-1001DCTAN2, G-0902DCTANF, G-0901DCTAN2
Health and Human Services	93.563	Child Support Enforcement	1104DC4004 (10/1/10 – 9/30/11)
Health and Human Services	93.568	Low-Income Home Energy Assistance Program	G-10B1DCLIEA (10/1/09 – 9/30/11)
Health and Human Services	93.569	Community Services Block Grant	G-11B1DCCOSR (10/1/10 – 9/30/12), G-10B1DCCOSR (10/1/09 – 9/30/11)
Health and Human Services	93.575, 93.596, 93.713	Child Care and Development Fund Cluster	G-1101DCCCDF (10/1/10 – 9/30/11)
Health and Human Services	93.600, 93.708	Head Start	03CH0233/24 (9/1/10 – 8/31/11), 03CH0233/25 (9/1/11 – 8/31/12),

			03CH038/46 (8/1/10-7/31/11), 03CH038/47 (8/1/11 – 7/31/12), 03SE0233/01 (7/1/09 – 12/31/10)
Health and Human Services	93.658	Foster Care – Title IV-E	1101DC1401 (10/1/10 – 9/30/11), 1101DC1402 (10/1/10 – 12/31/10; 04/1/11 – 6/30/11), 1101DC1404 (1/1/11 – 6/30/11)
Health and Human Services	93.659	Adoption Assistance	1101DC1403 (10/1/10 – 12/31/10; 4/1/11 – 6/30/11), 1101DC1405 (1/1/11 – 3/31/11), 1101DC1407 (10/1/10 – 9/30/11)
Health and Human Services	93.767	Children’s Health Insurance Program	05-1005DC5021
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	05-1105DC5ADM, 05-1105DC5MAP, 05-1105DCARRA
Health and Human Services	93.914	HIV Emergency Relief Project Grants	H89HA00012-21-04 (3/1/11 – 2/29/12), H89HA00012-20-01 (3/1/10 – 2/28/11)
Health and Human Services	93.917	HIV Care Formula Grants	6 X07HA00045-21-01 (4/1/11 – 3/31/12), 2 X07HA00045-20-00 (4/1/10 – 3/31/11)
Homeland Security	97.067	Homeland Security Grant Program	2010-SS-T0-0010, 2009SS-T9-0085, 2008-GE-T8-0035

District Department **Office of Finance and Treasury (OFT)**
Compliance Requirement **Cash Management**

Criteria

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implements the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

§ 205.14 “The Federal Program Agency incurs interest liability if a State pays out its own funds for Federal assistance program purposes with valid obligational authority under Federal law, Federal regulation, or Federal-State agreement. A Federal interest liability will accrue from the day a State pays out its own funds for Federal assistance program purposes to the day Federal funds are credited to a State bank account.”

§ 205.29 “A State must maintain records supporting interest calculations, clearance patterns, Interest Calculation Costs, and other functions directly pertinent to the implementation and administration of this subpart A for audit purposes.”

Condition

While performing District-wide CMIA compliance testwork, we identified that:

1. The date the expenditure was paid and the date the reimbursement request was submitted are both based on the journal entry posting dates in the general ledger of these activities and do not represent when the activities actually occurred.
2. Two (2) major programs, State Fiscal Stabilization Fund – Race to the Top Incentive Grants (CFDA #84.395) and Grants in Lieu of Tax Credits (CFDA #21.GRDC15), were not included in the Treasury-State / CMIA agreement. These programs met the applicable threshold per the District’s Treasury-State / CMIA agreement for programs with federal funds and did have cash draw downs during FY 2011.

Per review of applicable grant award documents, we identified 27 of 30 major programs that did not adhere to the CMIA requirements as defined in Public Law No. 101-453; 31 USC 6501:

#	Federal Program	CFDA Number(s)
1	Supplemental Nutrition Assistance Program	10.551, 10.561
2	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
3	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
4	Community Development Block Grants/Entitlement Grants	14.218, 14.253
5	HOME Investment Partnerships Program	14.239
6	Housing Opportunities for Persons with AIDS	14.241
7	Unemployment Insurance	17.225
8	Grants in Lieu of Tax Credits	21.GRDC15
9	Title I Grants to Local Educational Agencies	84.010, 84.389
10	Special Education Cluster	84.027, 84.173, 84.391, 84.392
11	Vocational Rehabilitation Grants to States	84.126, 84.390
12	Improving Teacher Quality State Grants	84.367
13	States Fiscal Stabilization Fund – Race to the Top	84.395
14	Education Jobs Fund	84.410
15	Temporary Assistance for Needy Families	93.558, 93.714
16	Child Support Enforcement	93.563
17	Low-Income Home Energy Assistance Program	93.568
18	Community Services Block Grant (CSBG)	93.569
19	Child Care and Development Fund Cluster	93.575, 93.596, 93.713
20	Head Start	93.600, 93.708
21	Foster Care – Title IV-E	93.658
22	Adoption Assistance	93.659
23	Children’s Health Insurance Program	93.767
24	Medical Assistance Program	93.775, 93.777, 93.778
25	HIV Emergency Relief Project Grants	93.914
26	HIV Care Formula Grants	93.917
27	Homeland Security Grant Program	97.067

Cause

The instructions in the internal policies of the District did not specify that the dates entered into the CMIA template were to be actual dates of when the activities occurred and not the journal entry posting dates.

New programs were not communicated to OFT to be included in the District's Treasury-State Agreement to comply with CMIA.

Effect

The District of Columbia did not follow the terms of the District's Treasury-State Agreement or the regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.).

Recommendation

We recommend that OFT management:

- Develop instructions on how to complete the template in accordance with terms of the CMIA agreement and clearly communicate them to the program agencies.
- Develop a training to ensure that program personnel understand the fields of the CMIA reconciliation template.
- Develop policies and procedures to ensure that all the applicable programs in the current fiscal year are properly complying with the Cash Management Improvement Act.
- Hire more people to assist in a quality control review process to ensure that each agency's monthly CMIA template is in compliance with the CMIA Act and is completed correctly.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

OFT agrees with the finding.

Agencies are required to notify OFT when a major program needs to be added to the Treasury State Agreement. OSSE did not notify OFT that the Race to the Top Incentive Grants-Recovery Act needed to be included in FY 2011's Treasury State Agreement; therefore, it was omitted.

OFT works closely with agencies to ensure that proper dates are used in the appropriate columns. OFT has provided agencies with explicit instructions on the proper dates to use when entering data. OFT conducts ongoing sampling of the CMIA reports and notifies agencies of known discrepancies. OFT currently does not have the funding to support the hiring of additional FTEs to perform full-time test work of the monthly CMIA reports. It is OFT's opinion that only an exhaustive review of each line entry on each agency's monthly CMIA report would suffice to ensure that the annual CMIA report includes no errors. Therefore, it is imperative that agencies understand the burden lies with them to deliver accurate and complete reports to OFT for review. OFT will make this point more clear in upcoming meetings with agency staff.

OFT accepts KPMG's recommendation that agencies need to be sufficiently trained on how to complete the template. OFT will follow-up with each agency to ensure that their understanding of the reports criteria is both complete and accurate. Yearly, OFT meets with agency and CFO personnel to discuss the Treasury State Agreement, including any changes to the included programs, modifications related to funding techniques, and any ongoing issues agencies encounter related to performing CMIA-related duties. Last year, OFT co-led a two day grants management training on the grant revenue collection process, including the proper way to submit a journal entry to post cash revenue. The training also included a section on CMIA compliance. Attendees included both finance and program personnel. OFT plans to hold this training again in the near future. The new Oracle based accounting system will hopefully eliminate issues related to inaccurate data entry as the system will automatically upload the proper data.

Finding Number 2011-04
Prior Year Finding Number N/A

Federal Awarding Agency	CFDA Number(s)	Federal Program	Federal Award Number(s)
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	1111DC700W1003, 1111DC700W1006, 1111DC700W5003 (10/1/10-9/30/11)
Energy	81.041	State Energy Program	DE-EE0000286 (10/1/09 – 9/30/11), DE-EE0000117 (4/20/09 – 4/30/12)
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	H027A100010 (7/1/10 – 9/30/11), H173A100006 (7/1/10 – 9/30/11), H391A090010 (7/1/09 – 9/30/10), H392A090006 (7/1/09 – 9/30/10)
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	G-1102DCTANF, G-1002DCTANF, G-1001DCTAN2, G-0902DCTANF, G-0901DCTAN2
Health and Human Services	93.563	Child Support Enforcement	1104DC4004 (10/1/10 – 9/30/11)
Health and Human Services	93.575, 93.596, 93.713	Child Care and Development Fund Cluster	G-1101DCCCDF (10/1/10 – 9/30/11)
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	05-1105DC5ADM, 05-1105DC5MAP, 05-1105DCARRA
Health and Human Services	93.917	HIV Care Formula Grants	6 X07HA00045-21-01 (4/1/11 – 3/31/12) 2 X07HA00045-20-00 (4/1/10 – 3/31/11)
Homeland Security	97.067	Homeland Security Grant Program	2010-SS-T0-0010, 2009SS-T9-0085, 2008-GE-T8-0035

District Department Office of Contracting and Procurement (OCP)
Compliance Requirement Deputy Mayor for Planning and Economic Development (DMPED)
Procurement

Criteria

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

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

According to 27 DCMR chapter 17, in each instance where the sole source procurement procedures are used, the contracting officer shall prepare a written determination and findings ("D&F") justifying the

procurement which specifically demonstrates that procurement by competitive sealed bids or competitive sealed proposals is not required.

According to DC Code 2-354.06, the CPO may conduct negotiations for a human care agreement with any responsible service provider who has submitted a statement of qualifications, without any additional public notice or solicitation required, to satisfy all or part of the District's anticipated requirements for a particular human care service. Before conducting negotiations with a service provider, the CPO shall issue a determination and findings that the service provider is responsible.

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

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

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

Condition

During the testing of 70 procurement actions by the District's Office of Contracting and Procurement (OCP) and 1 procurement action at the Deputy Mayor for Planning and Economic Development (DMPED), we noted the following deficiencies:

1. For two (2) procurements, the contract or task order provided did not cover the audit period and the appropriate contract / task order was not made available for review;
2. For seven (7) procurements, there was insufficient documentation maintained in the contract file to support whether a cost or price analysis was performed;
3. For two (2) procurements, there was insufficient documentation maintained in the contract file to support whether there was appropriate competition;
4. For twelve (12) procurements, there was insufficient documentation maintained in the contract file to support / justify the use of the sole-source method of procurement;
5. For two (2) procurements, the required D&F (determination & finding) form for the Human Care agreement was not available for review;
6. For one (1) procurement, the Contract provided for reviewed was not approved by the Contracting Officer;
7. For five (5) procurements, the contract or task order was not made available for review;
8. For two (2) procurements, the Contracting Officer's maximum approval authority was less than the amount of the procurement on the purchase requisition;
9. For two (2) procurements over \$1 million, the Council approval came after 7 months and 4 months, respectively, after the purchase order date;
10. For one (1) procurements over \$1 million, the Office of the Attorney General's approval occurred 7 months after the purchase order date;
11. For one (1) procurement, the Contracting Officer's maximum approval authority was less than the amount of the contract; and
12. For one (1) procurement, the determination and finding (D&F) provided did not covered the period being audited.

CFDA #	Program Name	Sample Size	Exceptions	Opinion
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	8	1	MNC – Qualified
14.241	Housing Opportunities for Persons with AIDS (HOPWA)	1	0	None – Unqualified
81.041	State Energy Program	5	0	None – Unqualified
84.027	Special Education Cluster	3	1	MNC – Qualified
93.558, 93.714	Temporary Assistance Needy Families (TANF)	20	20	MNC – Qualified
93.563	Child Support Enforcement	8	2	MNC – Qualified
93.569	Community Services Block Grant (CSBG)	1	0	None – Unqualified
93.575, 93.596, 93.713	Child Care Development Fund Cluster	3	1	MNC – Qualified
93.775, 93.777, 93.778	Medical Assistance Program	9	2	MNC – Qualified
93.914	HIV Emergency Relief Project Grants	2	0	None – Unqualified
93.917	HIV Care Formula Grants	2	1	MNC – Qualified
97.067	Homeland Security Grant Program	9	1	MNC – Qualified
	Total	71	30	

For one (1) procurement item pertaining to the State Energy Program (CFDA #81.041), there was no evidence maintained in the file that the District Energy grant program received approval from the U.S. Department of Energy to fund the National Capital Energy Efficiency Fund program (DMPED procurement action). Evidence was subsequently provided by management substantiating compliance, however, a control weakness still exists since the evidence was not being properly maintained in the file.

Cause

The District is not adhering to its policies and procedures to maintain documentation supporting procurements.

Effect

The District did not comply with the requirements with regard to Federal and local procurement regulations.

Recommendation

We recommend that enhance internal controls to ensure that the District adheres to both the District and Federal policies and procedures for programs that are expending Federal funds.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Management concurs with the conditions as presented by the independent auditor. Thematically, the deficiencies cited in this Single Audit closely mirror issues reported in the FY 2010 and FY 2011 CAFRs. In response to the FY 2010 CAFR findings, the Office of Contracting and Procurement (OCP) noted in part that, “...*While tangible results might not be immediate, we expect that periodic training/refreshers and regular compliance reviews will strengthen the control environment and ultimately improve compliance outcomes in subsequent fiscal years.*”

Consistent with this representation, OCP crafted and implemented a comprehensive multi-year remediation action plan, which, among other risk areas, addressed concerns relative to the award of sole source, emergency, small and large competitive procurements. As of September 30, 2011, ninety-seven percent (97%) of planned actions had been ratified as fully implemented by the District’s responsible oversight body.

Further, OCP’s Office of Procurement Integrity and Compliance (OPIC) has increased the coverage and frequency of its audits and compliance reviews. Results are now reported in a ‘Bellwether’ Report to management detailing:

- The phases in the procurement lifecycle where audit concerns or violations have been identified;
- The total number of such concerns/violations by each phase;
- The prevailing themes;
- The accountable procurement staff; and
- Pertinent transaction details and actionable recommendations.

For the first time, quantifiable performance information is readily available to management, providing a near real-time snapshot of OCP issues. OCP will be using this data to correct unsatisfactory actions.

Finding Number 2011-05
Prior Year Finding Number 2010-08

Federal Awarding Agency	CFDA Number(s)	Federal Program	Federal Award Number(s)
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	1111DC700W1003, 1111DC700W1006, 1111DC700W5003 (10/1/10-9/30/11)
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	DCH10-F001 (10/1/10 – 9/30/11)
Energy	81.041	State Energy Program	DE-EE0000286 (10/1/09 – 9/30/11), DE-EE0000117 (4/20/09 – 4/30/12)
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	H027A100010 (7/1/10 – 9/30/11), H173A100006 (7/1/10 – 9/30/11), H391A090010 (7/1/09 – 9/30/10), H392A090006 (7/1/09 – 9/30/10)
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	G-1102DCTANF, G-1002DCTANF, G-1001DCTAN2, G-0902DCTANF, G-0901DCTAN2
Health and Human Services	93.563	Child Support Enforcement	1104DC4004 (10/1/10 – 9/30/11)
Health and Human Services	93.575, 93.596, 93.713	Child Care and Development Fund Cluster	G-1101DCCCDF (10/1/10 – 9/30/11)
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	05-1105DC5ADM, 05-1105DC5MAP, 05-1105DCARRA
Health and Human Services	93.914	HIV Emergency Relief Project Grants	H89HA00012-21-04 (3/1/11 – 2/29/12), H89HA00012-20-01 (3/1/10 – 2/28/11)

District Departments

Office of Contracting and Procurement (OCP)

Compliance Requirement

**Deputy Mayor for Planning and Economic Development (DMPED)
Suspension and Debarment**

Criteria

Non-Federal entities are prohibited from contracting with or making sub awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide non procurement debarment and suspension guidance contains those additional limited circumstances. All non procurement transactions (i.e., sub awards to sub recipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition

During the testing of 71 procurements, we noted that 23 different contract files corresponding to 26 transactions selected that did not contain sufficient appropriate audit evidence that an EPLS search was performed prior to the award of the contract. It is noted that 16 of the 23 procurements identified as exceptions were under \$100,000 in value. During the year under audit, District procurement policies indicated that procurement officers were required to consult the EPLS only for those procurements that were greater than \$100,000, an issue identified in the prior year. We did note that the Office of Contracting and Procurement (OCP) has provided evidence that they are taking steps to remediate this issue. We obtained a copy of a memo dated January 18, 2012, whereby OCP instructed contracting officers to confirm that the vendor in question was not suspended / debarred prior to expending any federal funds. They're further instructed to maintain a copy of the EPLS search results substantiating the suspension / debarment status of the vendor in the contract file, as well as to re-address the vendor's status at any point during the contract's life when there is a contract amendment, renewal or extension. This is to be done for all vendors, regardless of amount, where federal funds are to be used in payment. We noted that these remediation efforts were not performed until FY 2012, and that the conditions noted above existed throughout the year under audit (FY 2011).

CFDA Number(s)	Federal Program	Sample Size	Exceptions
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	8	4
14.241	Housing Opportunities for Persons with AIDS (HOPWA)	1	1
81.041	State Energy Program	5	2
84.027	Special Education Cluster	3	1
93.558, 93.714	Temporary Assistance Needy Families (TANF)	20	7
93.563	Child Support Enforcement	8	1
93.569	Community Services Block Grant (CSBG)	1	0
93.575, 93.596, 93.713	Child Care Development Fund Cluster	3	3
93.775, 93.777, 93.778	Medical Assistance Program	9	6
93.914	HIV Emergency Relief Project Grants	2	1
93.917	HIV Care Formula Grants	2	0
97.067	Homeland Security Grant Program	9	0
	Total	71	26

Cause

District procurement policies were put into place without consideration of Federal grants management requirements.

Effect

The suspended and debarred status of vendors serving the District who are paid using Federal funds is not verified against the EPLS for procurements between \$25,000 and \$100,000, and as such, vendors that are suspended and debarred may be paid with Federal funds.

Recommendation

We recommend that the District modify its existing procurement policies and procedures to ensure that the EPLS status of all vendors procured with Federal funds is consulted for all procurements greater than \$25,000, and that appropriate substantiating documentation of the search and the vendor's status are appropriately maintained in the contract file.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

Management concurs with the condition as presented by the independent auditor. As conveyed in related FY 2010 management responses, *“On the issue pertaining to EPLS, our procurement staff have been working with a common understanding that these checks are not required for small purchases (≤\$100K). Further, following an internal inquiry, our policy staff advised that over the past several years, there has been no record that procurement staff has been informed of specific federal procurement requirements by way of directive or policy statement.”* Management has taken steps to mitigate the identified risk and appreciates the independent auditor's acknowledgement of these actions.

Further, OCP-OPIC has interviewed staff and has determined that checks are being performed; however, as noted, evidence of this on-line verification is missing in some contract files. As communicated in management responses to the 2010 and 2011 CAFR, OCP has made strides to fully transition from paper based contract files to electronic records. As we continue to work towards realizing this goal, management will consider a means, if possible, to evidence the excluded parties' compliance check within the electronic workflow. Concurrently, OCP-OPIC will also explore the feasibility of implementing a program designed to monitor federally funded procurements pending or in lieu of a technology solution.

Finally, OCP-OPIC performed an archive analysis of debarred vendors dating back to October, 1, 2007. According to our records, through the period under review, an award has not been made to a suspended / debarred vendor.

Finding Number 2011-06
Prior Year Finding Number N/A

Federal Awarding Agency	CFDA Number(s)	Federal Program	Federal Award Number(s)
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	G-1DC300302 (10/1/10 – 9/30/11)
Housing and Urban Development	14.218	Community Development Block Grants / Entitlement Grants	B-09-MY-11-0100, B-10-MC-11-0100
Housing and Urban Development	14.239	HOME Investment Partnerships Program	M10-SG-11-0100 (10/1/10 – 9/30/11)
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	DCH10-F001 (10/1/10 – 9/30/11)
Health and Human Services	93.569	Community Services Block Grant	G-11B1DCCOSR (10/1/10 – 9/30/12), G-10B1DCCOSR (10/1/09 – 9/30/11)
Health and Human Services	93.575, 93.596	Child Care and Development Fund Cluster	G-1101DCCDF (10/1/10 – 9/30/11)
Health and Human Services	93.658	Foster Care – Title IV-E	1101DC1401 (10/1/10 – 9/30/11), 1101DC1402 (10/1/10 – 12/31/10; 04/1/11 – 6/30/11), 1101DC1404 (1/1/11 – 6/30/11)

District Department Compliance Requirement **Executive Office of the Mayor Reporting – Federal Funding Accountability and Transparency Act (FFATA)**

Criteria

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq.*, September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq.*, July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 does currently apply only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, subaward reporting requirement apply to all types of first-tier subawards under a grant or cooperative agreement.

As provided in the 2 CFR part 170 and FAR Subpart 4.14, respectively, Federal agencies are required to include the award term specified in Appendix A to 2 CFR part 170 or the contract clause in FAR 52.204-10, Reporting Executive Compensation and First-Tier Subcontract Awards, as applicable, in awards subject to the Transparency Act.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. The FAIN is the unique award number assigned to a particular grant

or cooperative agreement by the Federal awarding agency (as opposed to the CFDA number, which pertains to a program generally). In some programs, a new award number is used each year and that new award number is considered a new FAIN. In some programs, where awards are made for a multi-year project, but may be funded in increments, even though a suffix may be added, e.g., -02 or -03 designating the subsequent years of an approved project, this is not considered a new FAIN. Therefore, if the FAIN for an award made in November 2009 was AB-12345 and for an award under the same program made in November 2010 was AB-56789, the latter would be considered a new FAIN. However, if the FAIN for an award made in November 2009 was AB-12345-02 and for an award under the same program made in November 2010 was AB-12345-03, the latter would **not** be considered a new FAIN.

Once the requirement applies, the recipient must report, for any subaward under that award with a value of \$25,000 or more, each obligating action of \$25,000 or more in Federal funds. Recipients are not required to report on subawards made on or after October 1, 2010 that use funds awarded prior to that date.

Condition

During the year under audit, the District of Columbia Executive Office of the Mayor and the Office of Budget and Planning did not have a centralized, concerted effort focused on complying with the reporting requirements brought about by the Federal Funding Accountability and Transparency Act (FFATA). Per discussions with management, the District setup a centralized response in the past to reporting such as in the case of ARRA 1512 Reporting. No such centralized response and guidance was being handled by District. Instead, the requirements for complying with FFATA were left up to the individual District agencies that were operating grants for which these requirements were applicable.

Management’s knowledge of FFATA and the reporting requirements required under the Act varied widely. Some program managers were well aware of the requirements and their agency’s response submitted to the Federal government under the Act. Others, however, were unaware of FFATA and did not possess a basic understanding of the Act.

Per review of Part 4 of the March 2011 A-133 Compliance Supplement and applicable grant award documents, we identified 7 major programs that were subject to the FFATA reporting requirements as defined in 2 CFR part 170, that did not comply:

#	Federal Program	CFDA Number(s)
1	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
2	Community Development Block Grants / Entitlement Grants	14.218
3	HOME Investment Partnerships Program	14.239
4	Housing Opportunities for Persons with AIDS (HOPWA)	14.241
5	Community Services Block Grant (CSBG)	93.569
6	Child Care and Development Fund Cluster	93.575, 93.596
7	Foster Care – Title IV-E	93.658

Cause

There was no coordinated response across the District to ensure that Agencies and program / financial managers assessed each of their respective programs to determine the FFATA reporting requirements applicable.

Effect

Noncompliance with FFATA reporting requirements was evident in various District agencies and across multiple major federal programs.

Recommendation

We recommend that the City Administrator's Office enhance policies and internal control procedures to ensure that guidance and/or training is provided to program / financial managers to help ensure compliance with FFATA reporting requirements. Adequate resources / FTEs should be made available to support such process improvements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the general finding that there has not been a centralized effort focused on ensuring compliance with the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA). Instead, each agency has been individually responsible for ensuring that appropriate FFATA reports are submitted, and certain District grant programs did not provide complete information under FFATA.

With respect to the specific grants listed in this finding, management notes the following:

— Reporting on the Low-Income Home Energy Assistance Program (LIHEAP) (CFDA #93.568) was delayed because the federal grantor agency (the Department of Health and Human Services (HHS)) had not populated the online FFATA database with the District's LIHEAP award information. The District contacted HHS to request that HHS populate the database; after the request, the database was populated and the District is now in compliance with the FFATA reporting requirement for this grant.

— Reporting on the Child Nutrition Cluster grants (CFDA Numbers 10.553, 10.555, 10.556, and 10.559) did not occur because the federal reporting system for these grants was set up incorrectly, preventing the District and other states from submitting their Child Nutrition Cluster grant reports correctly. Until the problem is resolved at the federal level, the District will not be able to submit its Child Nutrition Cluster grant reports. The United States Department of Agriculture is aware of this problem.

Current and Planned Actions

Management notes that the FFATA requirements have only recently become applicable, and the District is in the process of strengthening its education of agency officials on the FFATA requirements and ensuring that the District's FFATA reporting in the future is complete and timely. To help achieve this goal, the Office of the City Administrator intends to hire a grants specialist; one of the main responsibilities of the grants specialist will be to monitor, and provide guidance on, agency reporting under FFATA.

<i>Finding Number</i>	2011-07
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Supplemental Nutrition Assistance Program (10.551, 10.561)
<i>Federal Award Number</i>	IDC400402
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Activities Allowed and Unallowed, Allowable Costs/Cost Principles

Criteria

The A-102 Common Rule as established by OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

The Office of Management and Budget (OMB) Circular A-87 – Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Paragraph 8.h.(3) states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.”

Condition

During internal controls test work over payroll expenditures, we noted that DHS did not complete the semi-annual OMB Circular A-87 certification for employees who charge a 100% of their time to the SNAP grant. DHS did not complete certifications for 5 of 5 employees in the Economic Security Administration Food Stamp Employment and Training Program. DHS provided the certifications, but we noted that they were dated February 2012.

Cause

DHS did not consistently adhere to its existing policies and procedures for documentation of time and effort certifications for SNAP employees in accordance with OMB Circular A-87.

Effect

DHS did not complete the OMB Circular A-87 certifications in a timely manner.

Recommendation

We recommend that the District implement and enforce internal controls around the time certification process for SNAP employees in order to ensure that DHS adheres to the time and effort certification requirements in OMB Circular A-87.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DHS agrees with the recommendations. DHS will in the future timely complete the A-87 semi-annual time certification.

<i>Finding Number</i>	2011-08
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
<i>Federal Award Number</i>	G-1DC300302 (10/1/2010 – 9/30/2011)
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirements</i>	Cash Management and Reporting

Criteria

The A-102 Common Rule as established by OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

Condition

We were unable to obtain sufficient competent evidential matter to test both the cash management and reporting compliance requirements due to inadequate reporting data. Additionally, DCPS does not have an effective system of internal control in place to ensure compliance with both the cash management and reporting compliance requirements.

Specifically, while performing cash management and reporting procedures over the Child Nutrition program as operated by the DCPS Food and Nutrition Services (FNS) division, we noted that the State Agency (OSSE) performed an administrative review of the counting/claiming and certification systems in place at DCPS during School Year 2011 to ensure that all free, reduced, and paid lunches claimed for reimbursement are served only to children that are deemed to be eligible at that time of the observation. The counting / claiming and certification systems are utilized as a basis to compile, consolidate, and report meal count data and cash draw information. During the on-site and internal control/claim reviews, OSSE reported errors at 11 of the 25 schools visited. Specifically the State Agency noted that:

- Meal counts were taken incorrectly at the Point of Service, resulting in incorrect claims;
- Meals claimed exceeded total enrollment and daily attendance;
- Meals for some schools were not claimed for reimbursement; and
- DCPS was not reviewing edit check reports prior to submission of the claim for reimbursement.

Of a total of \$29,972,473 program expenditures in the Child Nutrition Cluster, \$15,562,140 relates to expenditures at DCPS.

Cause

DCPS does not have adequate controls over the compilation and reporting of meal count data and claim reimbursements.

Effect

DCPS is unable to determine or report accurate and complete meal count data in its claim reimbursements to the State Agency (OSSE). The lack of sufficient competent evidential matter pertaining to DCPS' meal counting/claiming and certification systems has resulted in a qualified opinion (scope limitation) for both the cash management and reporting compliance requirements.

Recommendation

We recommend that DCPS establish and implement policies and procedures to ensure that the compilation, consolidation, and reporting of meal count data accurately reflects actual meals served before the submission of claims to the State Agency (OSSE).

Related Noncompliance

Scope limitation

Questioned Costs

Not determinable; however, we noted \$15,562,140 in expenditures under this program at DCPS in the year under audit.

Views of Responsible Officials

DCPS concurs with the facts of the findings of the State Agency. Following receipt of the audit report, DCPS implemented a thorough corrective action plan that specifically addressed the findings related to counting and claiming, internal controls, claims consolidation, food production records, on site reviews, and meal pattern requirements. This plan was approved by the State Agency.

<i>Finding Number</i>	2011-09
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
<i>Federal Award Number</i>	G-1DC300302 (10/1/2010 – 9/30/2011)
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Program Income

Criteria

The A-102 Common Rule as established by OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

Condition

As a follow up to a prior year finding with regard to Child Nutrition program income, we noted that the District of Columbia Public Schools (DCPS) – Food and Nutrition Services (FNS) does not have effective controls over the recording and receipt of cafeteria sales. Specifically, we noted that for each of the four (4) months selected for review, DCPS had irreconcilable differences between the Websmart, the FNS eligibility database and cafeteria point of sale system, and the actual bank deposit in the amount of \$37,448.

It is noted that this is repeat finding from the prior year and that corrective actions were implemented in September 2011, in which DCPS FNS implemented a process to fully reconcile and research variances noted between Websmart and the bank.

Cause

DCPS does not have adequate controls over the receipt and recording of Websmart Point of Sale transactions.

Effect

DCPS is unable to fully reconcile the Websmart, the FNS eligibility database and cafeteria point of sale system and therefore, the amount of program income could be inaccurate.

Recommendation

We recommend that DCPS establish and implement policies and procedures to ensure that the recording, receipt, and accountability of cafeteria sales transactions is accurate.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

Management concurs with the facts of this finding. The Notification of Findings and Recommendations notes that corrective actions were implemented in September 2011. In specific, a cash reconciliation policy was put in place to be adhered to by all food service vendor staff. This policy was supported by trainings held in August 2011, October 2011, and February 2012.

The DCPS charge policy, implemented in August 2011, complemented the cash reconciliation policy. As a result of the charge policy, cash is no longer accepted during meal periods and students receive notification if their meal account balance is negative and when their account balance reaches the charge threshold.

<i>Finding Number</i>	2011-10
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
<i>Federal Award Number</i>	G-1DC300302 (10/1/2010 – 9/30/2011)
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Reporting

Criteria

OMB Circular A-133, section 310 (b) indicates:

Schedule of expenditures of Federal awards (SEFA). The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end. While not required, it is preferable to present this information in the schedule.

Condition

While performing testwork over the FY 2011 Child Nutrition Cluster program, we noted that the detail of expenditures and the Schedule of Expenditures of Federal Awards amounts for the Summer Food Service Program for Children (CFDA #10.559), included funding for the State Administrative Expense for Child Nutrition (CFDA #10.560) in the amount of \$548,444. It is noted that the State Administrative Expenses for Child Nutrition is a separate federal program and not a part of the Child Nutrition Cluster which consists of the School Breakfast Program (CFDA #10.553), National School Lunch Program (CFDA #10.555), Special Milk Program (CFDA #10.556), and the Summer Food Service Program (CFDA #10.559).

Cause

The State Administrative Expenses for Child Nutrition program is not properly coded to the correct CFDA number within the District's financial accounting system.

Effect

The FY 2011 Schedule of Expenditures of Federal Awards did not properly reflect the expenses related to the State Administrative Expenses for Child Nutrition (CFDA #10.560) and the Summer Food Service Program for Children (CFDA #10.559).

Recommendation

We recommend that OSSE financial management establish policies and procures to check and verify that program grant numbers are properly coded to the correct CFDA number and thus properly provide the total Federal awards expended for each individual Federal program on the Schedule of Expenditures of Federal Awards.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

We acknowledge that the FY 2011 Schedule of Expenditures of Federal Awards did not properly reflect the expenses related to the State Administrative Expenses for Child Nutrition (CFDA #10.560) and the Summer Food Service Program for Children (CFDA #10.559).

The FY 2011 SEFA has been corrected. Going forward, the Agency Fiscal Officer will perform a secondary review of the SEFA for accuracy.

<i>Finding Number</i>	2011-11
<i>Prior Year Finding Number</i>	2010-15
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
<i>Federal Award Number</i>	1111DC700W1003, 1111DC700W1006, 1111DC700W5003 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Criteria

OMB Circular A-87 states the following:

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

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

Condition

We noted that an allocation of payroll expenditures for the entire Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program is based on the budget for the year. Payroll costs for its personnel are allocated in its in-house PeopleSoft Human Resources/Payroll System based on budgeted percentages at the beginning of the year for what management believes will be the respective employee’s level of effort for each grant. PeopleSoft calculates and reports payroll costs on the Labor Distribution Report (485 Report) for each employee based on the predetermined allocation for each payroll cycle.

We noted that one WIC employee splits time between multiple programs. The employee's supervisor reviews and approves the employee's actual daily time spent on a quarterly basis. Management did not perform a periodic comparison (at least quarterly) of monthly actual costs to the budgeted costs and make the necessary adjustment as required by OMB Circular A-87 B8(h) when such method is used.

We selected 65 payroll transactions, totaling \$116,470, of a population of \$991,713 including fringe benefits to obtain support for each employee's individual allocation rate and test for compliance with allowable requirements. Time sheets for 65 employees provided by management totaling \$116,470 did not indicate the number of hours worked on the WIC program specifically to support each employee's allocation rate. The time sheets only indicated the total hours each employee worked during the payroll cycle, and did not report specific hours worked on each grant activity.

Cause

The District is not consistently adhering to existing policies and procedures requiring the maintenance of adequate documentation of payroll costs.

Effect

Payroll charged to the grant on an individual employee basis is not in compliance with the Activities Allowed or Unallowed & Allowable Costs/Cost Principles compliance requirement.

Recommendation

We recommend that management institute policies and procedures to ensure that the District adheres to existing policies and procedures to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple grants is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable. However, total payroll costs for WIC in FY 2011 were \$991,713, including fringe benefits.

Views of Responsible Officials

DOH management concurs with the finding for the Special Supplemental Nutrition Program for Women, Infants, and Children (10.557). Note: See exceptions below.

In FY 2012, DOH sought improvement in this area based on the prior year's finding. Two efforts were targeted in FY 2012: (1) the utilization by CHA of a time distribution sheet to supplement a WIC employee's time reporting via PeopleSoft and conventional daily sign-in/out sheets, and (2) convening of a DOH internal work group to develop an IT solution via PeopleSoft, specifically with the use of "combo codes" as an option for aligning find indexes with reported time. Until that option is available, with requisite policy and training, DOH will enhance these existing controls to establish time distribution monitoring and random sampling to compare hours recorded in PeopleSoft and hours reported on time sheets by personnel assigned across multiple grants or cost objectives. DOH Time Distribution Sheets will be requested by DOH management and will be certified by the employee and responsible supervisor. DOH Human Resources will request and maintain all documentation for each payroll. DOH Office of Grants Management will routinely monitor implementation of this protocol.

DOH concurs with this finding, but there are some exceptions to the review process and results, respectfully as follows:

(1) The report cites 65 payroll transactions tested and out-of-compliance with A-87B8 (h), suggesting that this OMB requirement is applicable to all FTE's tested.

(2) DOH asserts that only one employee's time on WIC (10.557) was paid from multiple awards, with time equally split across two awards.

(3) The time distribution log completed by the employee and signed by the supervisor reflects an after-the-fact distribution of the hours worked (as required by A-87), with all activities accounted for in-line with the budget and expenditure reports for the two grants (including WIC) to which the employee is assigned.

KPMG's Response

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

<i>Finding Number</i>	2011-12
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
<i>Federal Award Number</i>	1111DC700W1003, 1111DC700W1006, 1111DC700W5003 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Cash Management

Criteria

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

The Cash Management Improvement Act (CMIA) agreement between the District of Columbia and the U.S. Department of the Treasury requires that established cash management funding techniques be followed when requesting reimbursement of Federal funds. The agreement requires the following:

- a) Reimbursements for non-payroll disbursements require the use of the average clearance funding technique and a clearance pattern of seven (7) days; the amount of the requests shall be for the exact amount of funds disbursed.
- b) Reimbursement for payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days; the amount of the request shall be for the exact amount of funds disbursed.

Condition

During our walkthrough of the cash management process, we selected one item to gain an understanding of the control designed. We noted that management's review was not evidenced prior to when the draw, DA11WC18 in the amount of \$697,039, was submitted. The date of the draw request per Automated Standard Application for Payment (ASAP) was on 5/5/2011. Furthermore, we noted that the expenditures related to this draw down were paid on 5/9/2011. Evidence of the draw request is reviewed by the Department of Health with the journal voucher for SOAR prior to the transaction being posted by the Office of Finance and Treasury. The journal voucher was approved on 5/6/2011, which was after the request was submitted.

We also inspected the year-end CMIA template for WIC and selected 43 vouchers from our non-payroll allowability samples to trace to the CMIA report. We determined that the draw downs related to 4 vouchers were submitted prior to the date the expenditures were paid.

Cause

The date on the journal voucher was entered to match the posting date not the date when the review occurred. The District is not consistently following established procedures over cash management to ensure that drawdown requests are only submitted for expenditures that were actually paid.

Effect

We were unable to substantiate that management's review occurred prior to when the reimbursement request was submitted. Furthermore, the program was not in compliance with the cash management requirements.

Recommendation

We recommend that the District enhance preventive controls, such as manually documenting their review over the drawdown request prior to its submission to the Federal Government.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DOH management partially concurs with this finding with an explanation.

OCFO provided evidence that draw document DA11WC18 was prepared and authorized prior to the actual ASAP drawdown. While the SOAR document indicated that the journal voucher was prepared and authorized on 5/6/2011, e-mail transmission to the Office of Finance and Treasury conveyed authorization on 5/5/2011, thus DOH management does not concur with the part of the finding related to prior preparation and authorization of the cited draw-down. Review and authorization of future WIC draws will be more thoroughly documented.

DOH management concurs with the part of the finding related to CMIA reporting, an exercise of matching outflows (net cash expenditures) with inflows (federal reimbursement). The general ledger recording of rebates cause negative cash expenditures throughout the fiscal year, and as a result, the CMIA template gave the appearance of reimbursement prior to cash expenditure for the cited vouchers. Draw-downs were performed weekly in FY 2011 and this manual matching exercise was completed retroactively, giving the impression that funds were drawn prior to incurring the cash expenditure. To better match transactions, rebates are more accurately projected and specific vouchers are now identified, prior to reimbursement, to ensure that clearance patterns are properly maintained. Additionally, the current accounting system (SOAR) is scheduled to be replaced in FY 2013, eliminating the need for this manual matching process.

KPMG's Response

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

Finding Number 2011-13
Prior Year Finding Number 2010-18
Federal Program Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
Federal Award Number 1111DC700W1003, 1111DC700W1006, 1111DC700W5003 (10/1/10-9/30/11)
Federal Agency U.S. Department of Agriculture
District Department Department of Health (DOH)
Compliance Requirement Reporting

Criteria

Per 7 CFR 246.25(b), State agencies are required to submit financial and program performance data on a monthly basis, as specified by the Food and Nutrition Service (FNS), to support program management and funding decisions. Such information must include, but may not be limited to, actual and projected participation and actual and projected food funds expenditure.

Condition

Management did not have adequate controls in place to ensure the accuracy of the financial information recorded on the FNS-798, *WIC Financial Management and Participation Report* and the FNS-798A, *Addendum to WIC Financial Management and Participation Report -NSA Expenditures*. (OMB No.0584-0045), and submitted to the cognizant agency.

1. We selected one report for the month of February 2011, which is from the period prior to the issuance of the District's FY2010 Single Audit report on June 30, 2011. Management did not maintain adequate supporting documentation for the information submitted in this report.
2. We selected 2 reports for the for the months of July and Sepatember 2011, and noted the following:
 - a. Management was able to provide supporting documentation for the information presented in this report for the month of July 2011. However, there was a \$25,640 difference for the YTD-to-Date NSA Costs for Gross Outlays amount in the report and in the supporting documentation.
 - b. Management was able to provide supporting documentation for the information presented on the report at year-end, for the month of September 2011. Furthermore, we were able to agree to supporting documentation to the information presented in the reports, without exception.

Cause

Controls were not operating effectively over the preparation and review of the FNS-798 reports and FNS-798A reports during the entire fiscal year to ensure the accuracy of the information included in the reports.

Effect

The information included within the reports required by 7 CFR 246.26(b) was not accurate or could not be substantiated.

Recommendation

We recommend that management continue to implement the new policies and procedures to ensure that the financial information reported on the FNS-798 and FNS-798A is supported by amounts in the general ledger including periodically reconciling between the food costs recorded on the general ledger and the food costs recorded in the Community Automated Reliable Electronic System (CARES).

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DOH management concurs with this finding for Special Supplemental Nutrition Programs for Women, Infants and Children (10.557).

The DOH Community Health Administration (CHA) is committed to continuing the implementation of policies and procedures to ensure that the financial information reported on the FNS-798 and FNS-798A is supported by amounts in the general ledger. The discrepancy cited in the June 2011 report was caused by compiling preliminary (prior month-end close) general ledger data submitted to program staff without OCFO supervisory review. Currently, only post month-end close general ledger data is compiled by the accountant, supported by SOAR screen-prints, and reviewed/approved by the accounting officer prior to submitting to WIC program staff. Additionally the FNS-798 is reconciled with SOAR on a monthly basis identifying the disparity between issuance and redemption costs. Also, CHA has already begun in FY 12 to implement planned enhancements to the Community Automated Reliable Electronic System (CARES) to address this deficiency. Two existing ARRA awards targeting WIC capacity are being utilized to fund respectively a feasibility study on enhancements to CARES and USDA approved implementation of adjustments and maintenance of CARES.

<i>Finding Number</i>	2011-14
<i>Prior Year Finding Number</i>	2010-19
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

According to OMB A-87, Attachment B Item 8, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

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

Condition

During our activities allowed or allowable-payroll testwork, for sixty-five (65) of the sixty-five (65) items selected, we reviewed the timesheets for each employee and noted that DHCD did not maintain adequate documentation to prove the accuracy and reasonableness of the amount of payroll cost charged to the Community Development Block Grant (CDBG) program. Our sample of 65 items represented \$103,439 of the \$2,736,623 (including benefits payments) direct payroll charges to the CDBG grant in FY 2011.

Cause

DHCD program management has not developed sufficient policies and procedures to monitor the Activities Allowed or Allowable-Payroll requirements for the CDBG program.

Effect

The District is not in compliance with the Activities Allowed or Allowable-Payroll requirements of OMB A-87 Attachment B Item 8. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend DHCD program management establishes policies and procedures to ensure requirements regarding the Activities Allowed or Allowable-Payroll are met.

Related Noncompliance

Material noncompliance

Questioned Costs

\$103,439

Views of Responsible Officials

Management concurs with the facts of this finding. Management has implemented project codes in the PeopleSoft Payroll system starting in November 2011 for employees working on multiple activities or cost objectives to distribute their time to actual program activity instead of the distribution percentages determined before the services are performed.

<i>Finding Number</i>	2011-15
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Cash Management

Criteria

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

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implements the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

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

24 § 85.21 (f), *Effect of program income, refunds, and audit recoveries on payment.* (1) Grantees and subgrantees shall disburse repayments to and interest earned on a revolving fund before requesting additional cash payments for the same activity.

Condition

During our compliance testwork, we selected a sample of eight (8) cash draw downs, representing a sample of \$4,857,019 out of a population of \$32,934,902, and noted the following:

1. For eight (8) of the eight (8) sample items selected, representing \$4,857,019, DHCD did not maintain adequate documentation to prove that the timing of the Federal cash draws were in compliance with the applicable funding techniques specified in the Treasury-State Agreement.
2. For eight (8) of the eight (8) sample items selected, representing \$4,857,019, DHCD did not maintain adequate documentation to prove that program income was exhausted prior to requesting federal cash draws.
3. The funding techniques documented in the FY 2011 CDBG CMIA report were: Modified Average Clearance and Fixed Admin Allowances - Prorated Draw. Per the FY 2011 Treasury Agreement, CDBG program’s required funding techniques are Average Clearance and Fixed Admin Allowances - Prorated Draw.

Cause

The DHCD program management has not developed sufficient policies and procedures to monitor cash management requirements. Additionally, DHCD does not maintain adequate documentation to support compliance with the CMIA Treasury Agreement within its cash drawdown process.

Effect

CDBG program cash drawdowns are not reviewed and approved prior to drawdown and have the potential to be inaccurate, overdrawn, or non-compliant with federal requirements.

Recommendation

We recommend the DHCD program management establish policies and procedures to ensure that cash management requirements are met.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management does not concur with the facts of this finding. Management provided adequate documentation to support the auditors' claim that program income was expended prior to accessing the program entitlement funds.

The funding techniques of "Modified Average Clearance and Fixed Admin Allowances – Prorated Draw" documented in the FY 2011 CDBG CMIA report was a typo error. Management will ensure going forward that such error does not occur again in the future.

KPMG's Response

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

<i>Finding Number</i>	2011-16
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Davis-Bacon Act

Criteria

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

According to 29 CFR 5.5 (a), the Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses : (3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

29 CFR 3.4 states that each weekly statement required under §3.3 shall be delivered by the contractor or subcontractor, within seven days after the regular payment date of the payroll period, to a representative of a Federal or State agency in charge at the site of the building or work, or, if there is no representative of a Federal or State agency at the site of the building or work, the statement shall be mailed by the contractor or subcontractor, within such time, to a Federal or State agency contracting for or financing the building or work.

Additionally, 29 CFR 5.5(a)(3)(ii)(B) states that each payroll submitted shall be accompanied by a “Statement of Compliance,” signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract.

Condition

During our internal control testwork, we noted DHCD Management did not have adequate controls in place over Davis-Bacon Act requirements. Specifically, there was no management oversight to mitigate risks of non-compliance with the Davis-Bacon Act requirements.

For 65 out of 65 sample items selected from the population provided, DHCD did not keep adequate documentation to prove that the prevailing wage rates clauses were included in the contracts between DHCD and the primary contractor for each project.

For fifty (50) out of 65 sample items selected from the population provided, we determined there were no payroll certifications in the project file. Therefore, there were no “Statement of Compliance” documents nor were they submitted within the required time limit.

For fifteen (15) out of 65 sample items selected from the population provided, there was no documentation supporting the payroll certifications were provided within seven days after the regular payment date of the payroll period.

Cause

The DHCD program management has not developed sufficient policies and procedures to ensure compliance with the Davis-Bacon Act requirements.

Effect

The District is not in compliance with Davis-Bacon Act requirements of 29 CFR 3 and 29 CFR 5. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend the DHCD program management establish policies and procedures to ensure the Davis-Bacon Act requirements are met.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Management concurs with the facts of this finding. DHCD has policies and procedures in place to mitigate this finding. Management, however, will ensure that the Davis-Bacon Act requirements are met going forward.

<i>Finding Number</i>	2011-17
<i>Prior Year Finding Number</i>	2010-20
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking

Criteria

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

Not less than 70 percent of the funds must be used over a period of up to three years, as specified by the grantee in its certification, for activities that benefit low- and moderate-income persons” [24 CFR 570.200(a)(3)]. Community Development Block Grant (CDBG) and CDBG ARRA funds (referenced as CDBG-R) are both subject to this compliance requirement separately.

According to 24 CFR 570.200(g), for CDBG funds, no more than 20 percent of the sum of any grant, plus program income for the current year, shall be expended for planning and program administrative costs.

24 CFR 570.201(e)(1) states that no more than 15% of CDBG funds, plus 15% of program income from the preceding year, may be expended for public services for a grant year.

CDBG-R Notice, Section II.E states that, for CDBG-R funds, no more than 10% of the total grant may be used for general administration and planning activities. Also, for CDBG-R funds, no more than 15% of the total grant may be used for public service activities.

Condition

During our internal control testwork, we noted DHCD Management did not have adequate controls in place over earmarking requirements pertaining to CDBG and CDBG-R funds.

We noted management did not maintain adequate documentation to prove compliance with all of the earmarking requirements. Specifically, DHCD did not maintain adequate documentation to prove that:

1. Not less than 70 percent of the CDBG funds were used over a period of up to three years for activities that benefit low- and moderate-income persons;
2. Not less than 70 percent of the CDBG-R funds were used over a period of up to three years for activities that benefit low- and moderate-income persons;
3. Not more than 20 percent of the total CDBG grant, plus 20 percent of program income received during a program year, were obligated during that year for activities that qualify as planning and administration;
4. Not more than 10 percent of CDBG-R funds were expended for eligible planning and general administrative activities;

5. The amount of CDBG funds obligated during the program year for public services did not exceed 15 percent of the grant amount received for that year plus 15 percent of the program income it received during the preceding program year;
6. The amount of CDBG-R funds expended during the program year for public services did not exceed 15 percent of the grant amount received for that year plus 15 percent of the program income it received during the preceding program year; and
7. At least 25 percent of Neighborhood Stabilization Program (NSP) funds were used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of the area median income.

Cause

The DHCD program management has not developed sufficient policies and procedures to ensure compliance with Earmarking requirements.

Effect

The District was not in compliance with the Earmarking requirements of 24 CFR 570, along with applicable requirements in the CDBG-R Notice. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend the DHCD program management establish policies and procedures to ensure earmarking requirements are met.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Management does not concur with the facts of this finding. DHCD has adequate policies and procedures in place to monitor the earmarking activities. Management monitors earmarking requirements through budgetary allocations and HUD IDIS reports.

KPMG's Response

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

<i>Finding Number</i>	2011-18
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment

Criteria

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

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

According to 2 CFR 215.46, procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum:

- (a) Basis for contractor selection;
- (b) Justification for lack of competition when competitive bids or offers are not obtained; and
- (c) Basis for award cost or price.

2 CFR 215.43 states that all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

Condition

We selected a sample of eight procurements, representing a sample of \$10,457,030 out of a population of \$30,674,096.

During our internal control testwork, we noted the following:

1. For two (2) of eight (8) items selected, representing \$287,999, supporting documentation was not provided for purchase order approvals in Procurement Automated Support Service (PASS).
2. For one (1) of the eight (8) items selected, representing \$335,320, there was not a City Council approval included in the contract file for a multi-year contract, as required by Section 202(a) of the Procurement Practices Reform Act.

During our Procurement and Suspension and Debarment compliance testwork, we noted the following:

3. For two (2) of the eight (8) items selected, representing \$2,082,991, the files did not contain documentation noting history of the procurement, rationale for the method of procurement, selection of contract type, contractor selection or rejection, and/or the basis of contract price.

4. For four (4) of the eight (8) items selected, representing \$7,161,009, adequate documentation pertaining to the procurement being an open and free competition was not provided.
5. For four (4) of the eight (8) items selected, representing \$7,161,009, there was no documentation in the file evidencing whether competition was limited.
6. For one (1) of the eight (8) items selected, representing \$1,747,671, supporting documentation for cost/price analysis was not provided.

Cause

DHCD program management has not developed sufficient policies and procedures to ensure compliance with the requirements regarding Procurement and Suspension and Debarment for the Community Development Block Grant (CDBG) program.

Effect

The District is not in compliance with the Procurement and Suspension and Debarment requirements, per 2 CFR 215. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend DHCD program management establish policies and procedures to ensure compliance with Procurement and Suspension and Debarment requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Management concurs with the facts of this finding. DHCD has adequate controls in place to mitigate this finding. The PASS system which the agency uses to effect procurement has adequate controls and approvals mechanisms in place to safeguard transactions procured.

City Council approval is needed for contracts in excess of one million dollars only; the one contract cited in this finding did not qualify for Council approval.

DHCD searched the EPLS system of its cognizant agency for suspension and debarment of vendors prior to awarding contracts. Unfortunately, DHCD did not retain copies of the searches in program files. Management will ensure going forward compliance with Procurement, Suspension and Debarment requirements.

<i>Finding Number</i>	2011-19
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Program Income

Criteria

Per 2 CFR 215.2(x) *Program income* means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award (see exclusions in Section 215.24(e) and (h)). Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.

The following criteria shall be used to determine whether a CDBG-assisted activity complies with one or more of the national objectives as required under §570.200(a)(2):

- (a) *Activities benefiting low- and moderate-income persons.*
- (b) *Activities which aid in the prevention or elimination of slums or blight.*
- (c) *Activities designed to meet community development needs having a particular urgency.*
- (d) *Additional criteria.*

Condition

During our Program Income testwork, for three (3) items, representing \$112,302, of the sixty five (65) items selected, representing \$5,053,579, out of a population of \$6,867,360, were for investment losses that occurred during fiscal year 2011. These items were not directly generated from an activity which meets any of the national objectives for Community Development Block Grant (CDBG) funds and therefore should not be considered program income.

Cause

DHCD program management has not developed sufficient policies and procedures to ensure compliance with its Program Income requirements.

Effect

The District is not in compliance with the Program Income requirements of 24 CFR 570.208 and 2 CFR 215.

Recommendation

We recommend DHCD program management establishes policies and procedures to ensure program income is being recorded from the appropriate sources.

Related Noncompliance

Noncompliance

Questioned Costs

\$112,302

Views of Responsible Officials

Management will review the transactions noted in this finding, and will ensure that the funds are recorded in the appropriate sources.

Finding Number	2011-20
Prior Year Finding Number	2010-21
Federal Program	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
Federal Award Number	B-09-MY-11-0100 B-10-MC-11-0100
Federal Agency	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
District Department	Department of Housing and Community Development (DHCD)
Compliance Requirement	Reporting

Criteria

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

According to 24 CFR § 85.20(2)(b)(3), *Standards for financial management systems - Internal Control*, “Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets.”

According to 24 CFR § 85.20(2)(b)(2), *Standards for financial management systems - Accounting records*, “Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.”

According to § 85.20 Standards for financial management systems.

(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting*. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records*. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

(4) *Budget control.* Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

(5) *Allowable cost.* Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

(6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

(7) *Cash management.* Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

(c) An awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a pre-award review or at any time subsequent to award.

Condition

During our internal control testwork, we noted DHCD management did not have adequate controls in place over Reporting requirements. Specifically, we noted the following:

1. There were no controls to review the information once entered in the system for the HUD-60002 Annual Report.
2. There were no controls over the preparation and review of the IDISPR03 and IDISPR26 reports.
3. There were no controls to review the information once entered in the federalreporting.gov system for the ARRA 1512 Quarterly reports.

During reporting compliance testwork, we noted:

4. DHCD used information from the Integrated Disbursement & Information System (IDIS) to prepare the SF-425 Quarterly reports instead of the general ledger. DHCD did not reconcile differences noted between the IDIS and general ledger financial information.
5. For the 9/30/2011 ARRA 1512 Quarterly report, total subaward funds disbursed to one subrecipient (SR-10 Anacostia Economic Development Corporation) were documented as \$14,365. Per the SEFA

expenditure detail, we identified a total of \$37,242 in CDBG-R expenditures incurred for this subrecipient in FY 2011. As a result, the 9/30/2011 ARRA 1512 was not complete or accurate.

The general ledger supported expenditures amount of \$23,359,259; but the report contained an amount of \$23,841,116. Also, the general ledger supported program income amount of \$6,867,360; but the report contained an amount of \$8,245,993. And, the general ledger supported an expenditure amount of \$37,242 for one Subrecipient; but the report contained an amount of \$14,365.

Cause

The DHCD program management has not developed sufficient policies and procedures to ensure compliance with reporting requirements.

Effect

The District did not comply with the Reporting requirements of the CDBG program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend the DHCD program management establish policies and procedures to ensure reporting requirements are met.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the facts of this finding. Management will monitor its program reporting activities to ensure compliance with the reporting requirements.

<i>Finding Number</i>	2011-21
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

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

45 CFR 92.40(a) states “Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.” Furthermore, 31 USC 7502(f)(2)(B) states that “each pass-through entity shall Monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means” to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Per 45 CFR 92.26(b)(3), grantees are to “ensure that appropriate corrective action is taken within six months after receipt of the [A-133] audit report in instance of noncompliance with Federal laws and regulations.”

Condition

During internal control testwork, we noted the following:

1. For one (1) of the nine (9) subrecipients selected, DHCD did not maintain adequate documentation to prove that the subrecipient agreement was signed by the DHCD director and Grantee authorized representative.
2. For four (4) of the nine (9) subrecipients selected, DHCD did not maintain adequate documentation to prove the monitoring reports were completed and whether there were any findings identified.

During compliance testwork, we noted the following:

3. For two (2) of the nine (9) subrecipients selected, DHCD did not maintain adequate documentation to prove that the information required by OMB A-133 was documented appropriately and communicated to the subrecipient in the subrecipient agreements.
4. For four (4) of the nine (9) subrecipients selected, DHCD did not maintain adequate documentation to prove that the pass-through entity followed-up to ensure corrective action was taken on deficiencies noted during the award monitoring.

5. For one (1) of the nine (9) subrecipients selected, DHCD's management decision on audit findings was communicated after six months of the receipt of the subrecipient's audit report.
6. For three (3) of the nine (9) subrecipients selected, DHCD did not maintain adequate documentation to prove that DHCD's management decisions on audit findings were communicated within six months after receipt of the subrecipient's audit report.

Cause

DHCD program management has not developed sufficient policies and procedures to ensure compliance with the subrecipient monitoring compliance requirement.

Effect

The District is not in compliance with Subrecipient Monitoring requirements of the CDBG program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend DHCD program management establishes policies and procedures to ensure requirements regarding the Subrecipient Monitoring are met.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the facts of this finding. DHCD has policies and procedures in place to mitigate this finding. Management will ensure going forward compliance with the Subrecipient Monitoring Activities.

<i>Finding Number</i>	2011-22
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Special Tests & Provisions – Citizen Participation

Criteria

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

The jurisdiction is required to adopt a citizen participation plan that sets forth the jurisdiction's policies and procedures for citizen participation (24 CFR 91.105(a)).

Condition

During internal control testwork, we noted DHCD Management did not maintain adequate documentation to prove compliance with the Special Tests & Provisions – ‘Citizen Participation’ compliance requirement for FY 2011. Specifically, DHCD did not maintain adequate documentation to prove the plan was reviewed to determine how the grantee effected modifications to its citizen participation plan process to comply with the CDBG-R Notice provisions; examine the grantee’s records for evidence that the elements of the citizen’s participation plan, as modified by the CDBG-R Notice, were followed as the grantee certified; and that it contained the required Certifications and HUD Approvals. In addition, the Department of Housing and Community Development (DHCD) Management did not have adequate controls in place over the Citizen Participation Plan requirements.

Cause

DHCD program management has not developed sufficient policies and procedures to ensure compliance with requirements regarding the Special Tests & Provisions – ‘Citizen Participation’ for the Community Development Block Grant (CDBG) program.

Effect

The District is not in compliance with the Special Tests & Provisions – ‘Citizen Participation’ compliance requirements, per 24 CFR 91.105. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend DHCD program management establish policies and procedures to ensure requirements regarding Citizen Participation are met.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the facts of this finding. DHCD has policies and procedures established to monitor the Citizen Participation Plan. Management will ensure going forward that the Citizen Participation Plan requirement is met.

<i>Finding Number</i>	2011-23
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Special Tests & Provisions – Environmental Review

Criteria

A recipient does not have to submit a Request for Release of Funds (RROF) and environmental certification, and no further approval from HUD or the State will be needed by the recipient for the drawdown of funds to carry out exempt activities and projects. However, the responsible entity must document in writing its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section (24 CFR 58.34(b)).

Condition

During our environmental reviews testwork, for seven (7) of the nine (9) items selected for testwork, we noted there was no written documentation with the specific determination of why the project was exempt, or categorically excluded, from the environmental review.

Cause

The DHCD program management has not developed sufficient policies and procedures to ensure compliance with the Special Tests & Provisions – ‘Environmental Review’ compliance requirements.

Effect

The District is not compliant with the Special Tests & Provisions – ‘Environmental Review’ compliance requirements of 24 CFR 58. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that DHCD program management establish policies and procedures to ensure there is written documentation as to the specific regulation which permits each project to be deemed exempt, or categorically exempt, from an environmental review.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the facts of this finding. DHCD has policies and procedures established to monitor the Environmental Review requirements. Management will ensure going forward that the Environmental Review requirement is met.

<i>Finding Number</i>	2011-24
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-10-MC-11-0100
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD) (including ARRA expenditures)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Special Tests & Provisions – Rehabilitation

Criteria

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

When CDBG funds or CDBG-R funds are used for rehabilitation, the grantee must ensure that the work is properly completed (24 CFR section 570.506)

Condition

For 2 out of 8 sample items selected, representing a \$27,462 of a sample of \$2,942,323 out of a population of \$12,551,342, DHCD did not maintain adequate documentation to prove that an inspection was performed to ensure that the work is properly completed at the end of the project prior to final payment.

Cause

The DHCD program management has not developed sufficient policies and procedures to monitor the Special Tests & Provisions – ‘Rehabilitation’ compliance requirements.

Effect

The District is not compliant with Special Tests & Provisions – ‘Rehabilitation’ compliance requirements of 24 CFR 570. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend the DHCD program management establish policies and procedures to ensure the Rehabilitation requirements are met.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Management concurs with the facts of this finding. DHCD has program policies and procedures established to monitor the rehabilitation program. The Junior Construction Analyst assigned to these cases failed to indicate on the form that 100 percent of the work has been completed. He was accompanied by the Supervisory Construction Analyst and the homeowner. The final inspection documents include the final evaluation by the homeowner and payment request. This is signed by the Supervisory Construction Analyst and homeowner indicating all work is complete and the scope of work has been satisfied.

Management will ensure moving forward that inspection documents are fully completed.

<i>Finding Number</i>	2011-25
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnerships Program (14.239)
<i>Federal Award Number</i>	M10-SG-11-0100 (10/1/10 – 9/30/11)
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Cash Management

Criteria

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

24 § 85.21 (f), *Effect of program income, refunds, and audit recoveries on payment.* (1) Grantees and subgrantees shall disburse repayments to and interest earned on a revolving fund before requesting additional cash payments for the same activity.

Condition

During our compliance testwork, we selected a sample of eight (8) cash drawdowns, representing a sample of (\$1,430,772) out of a population of (\$6,403,585), and noted the following:

1. For eight (7) of the eight (8) sample items selected, representing (\$1,490,922), DHCD did not maintain adequate documentation to prove that the timing of the Federal cash draws were in compliance with the applicable funding techniques specified in the Treasury-State Agreement.
2. For eight (8) of the eight (8) sample items selected, representing (\$1,430,772), DHCD did not maintain adequate documentation to prove that program income was exhausted prior to requesting federal cash draws.
3. For eight (1) of the eight (8) sample items selected, representing \$22,618, DHCD did not maintain adequate documentation to prove costs for which reimbursement was requested were paid prior to the date of the reimbursement request.

Cause

The DHCD program management has not developed sufficient policies and procedures to monitor and ensure compliance with cash management requirements. Additionally, DHCD does not maintain adequate documentation to support compliance with the CMIA Treasury Agreement within its cash drawdown process.

Effect

The District is not in compliance with the Cash Management requirements of the HOME Investment Partnerships program.

Recommendation

We recommend the DHCD program management establish policies and procedures to ensure that cash management requirements are met.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management partially concurs with the facts of this finding. Management provided adequate documentation to support the auditors' claim that program income was expended prior to accessing the program entitlement funds based on the capability of the IDIS federal system.

KPMG's Response

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

<i>Finding Number</i>	2011-26
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnerships Program (14.239)
<i>Federal Award Number</i>	M10-SG-11-0100 (10/1/10 – 9/30/11)
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Davis-Bacon Act

Criteria

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

According to 29 CFR 5.5 (a), the Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses : (3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

29 CFR 3.4 states that each weekly statement required under §3.3 shall be delivered by the contractor or subcontractor, within seven days after the regular payment date of the payroll period, to a representative of a Federal or State agency in charge at the site of the building or work, or, if there is no representative of a Federal or State agency at the site of the building or work, the statement shall be mailed by the contractor or subcontractor, within such time, to a Federal or State agency contracting for or financing the building or work.

Additionally, 29 CFR 5.5(a)(3)(ii)(B) states that each payroll submitted shall be accompanied by a “Statement of Compliance,” signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract.

Condition

During internal control testwork, we noted DHCD Management did not have adequate controls in place over Davis-Bacon Act requirements. Specifically, there was no management oversight to mitigate risks of non-compliance with the Davis-Bacon Act requirements.

During the compliance testwork, we noted the following:

1. For forty (40) out of 40 items selected from the population provided, the prevailing wage rate clause was not included in the contract between DHCD and the primary contractor.
2. For six (6) out of 40 items selected from the population provided, the payroll certifications were not in the project file. Therefore, there were no “Statement of Compliance” documents nor were they submitted within the required time limit.

3. For one (1) out of 40 items selected from the population provided, the "Statement of Compliance" was not signed and there was no documentation supporting the payroll certifications were provided within seven days after the regular payment date of the payroll period.
4. For thirty-three (33) out of 40 sample items selected from the population provided, there was no documentation supporting the payroll certifications were provided within seven days after the regular payment date of the payroll period.

Cause

The DHCD program management has not developed sufficient policies and procedures to ensure compliance with the Davis-Bacon Act requirements.

Effect

The District is not compliant with Davis-Bacon Act requirements of 29 CFR 3 and 29 CFR 5. The condition noted results in material noncompliance.

Recommendation

We recommend the DHCD program management establish policies and procedures to ensure the Davis-Bacon Act requirements are met.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Management concurs with the facts of this finding. DHCD has policies and procedures in place to mitigate this finding. Management, however, will ensure that the Davis-Bacon Act requirements are met going forward.

Specific responses to the findings are as follows:

1. This finding is factual, the U.S. Department of Housing & Urban Development (HUD) Labor Relations Specialist never monitored for a copy of a written copy of a written contract between DHCD and the primary contractor. A copy of the contract between the Loan Recipient and General Contractor was all that was required.
2. This finding is factual, the payroll certifications for the dates in question were not in the project file. The payroll certifications in question were for periods where 'no work was performed.' The subcontractor did not submit statements of non-work in place of their payroll certifications. Therefore, there were also no "Statement of Compliance: documents submitted within the required time limit.

3. This finding is factual, neither the “Statement of Compliance” in question, nor the documentation supporting the payroll certification was provided within seven days after the regular payment date of the payroll period. The payroll certification was submitted electronically.
4. This finding is factual, the sample items selected did not validate that the payroll certifications were provided within seven days after the regular payment date of the payroll period.

<i>Finding Number</i>	2011-27
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnerships Program (14.239)
<i>Federal Award Number</i>	M10-SG-11-0100 (10/1/10 – 9/30/11)
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Reporting

Criteria

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

Condition

During internal control testwork, we noted DHCD management did not have adequate controls in place over Reporting requirements. Specifically, there were no controls to review the information once entered in the system for the HUD-60002 Annual Report.

Cause

The DHCD program management has not developed sufficient policies and procedures to ensure compliance with reporting requirements.

Effect

The District did not maintain supporting documentation substantiating that management's review of the HUD-60002 report occurred prior to submission.

Recommendation

We recommend the DHCD program management enhance policies and procedures to ensure internal controls are operating effectively to ensure compliance with reporting requirements.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

Management concurs with the facts of this finding. Management will monitor its program reporting activities to ensure compliance with the reporting requirements.

<i>Finding Number</i>	2011-28
<i>Prior Year Finding Number</i>	2010-29
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS (14.241)
<i>Federal Award Number</i>	DCH10-F001 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department Housing and Urban Development (HUD)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Reporting

Criteria

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

Condition

While performing procedures over the reporting compliance requirement, we reviewed one report and determined that management review of the reports occurs. However, management did not maintain evidence of review for the following financial reports required per the grant agreement:

- HUD-40110-C, *Annual Progress Report*; and
- HUD-40110-D, *Consolidated Annual Performance and Evaluation Report (CAPER)*.

We also noted that the financial information was not checked for mathematical accuracy (i.e., amounts were not footed or recalculated) and expenditure totals were missing from the report. Also, the detailed breakdown of the expenditure categories reported could not be accurately traced to the supporting documentation provided by management.

Cause

A reconciliation between the amounts reported by management and the amounts noted in the general ledger was not adequately maintained. In addition, the District did not ensure that management's review process was properly documented.

Effect

The financial information in the reports was not accurately presented and management's review of the required reports could not be evidenced.

Recommendation

We recommend that management document their review of the reports required per the grant agreement to ensure the program's compliance with the reporting requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DOH Management concurs with the finding related to lack of documented supervisory review for two annual reports prepared by staff of the HIV / AIDS, Hepatitis, STD and TB Administration (HAHSTA) to the U.S. Department of Housing and Urban Development (HUD); however, HAHSTA does assert and has notified the auditors that such review did occur prior to submission of the two reports tested. For future reporting, HAHSTA has implemented a new protocol for documenting the approval flow, whereby supervisory review is documented in a transmittal which includes the signature of the approving supervisor and date of approval prior to submission. All review and approval documents will be stored in a centralized document management system monitored by the DOH Office of Grants Management.

<i>Finding Number</i>	2011-29
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS (14.241)
<i>Federal Award Number</i>	DCR10-F001 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department Housing and Urban Development
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

24 CFR 85.40(a) states: “Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.” Furthermore, 31 USC 7502(f)(2)(B) states that “each pass-through entity shall Monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means” to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Per 24 CFR 85.26(b)(3), grantees are to “ensure that appropriate corrective action is taken within six months after receipt of the [A-133] audit report in instance of noncompliance with Federal laws and regulations.”

Condition

While performing procedures over the subrecipient monitoring compliance requirements related to housing inspections, we reviewed one housing inspection to gain an understanding of the process. We noted that the selected housing inspection during FY 2011 failed and a follow up inspection was not completed until 178 days later, which the subrecipient passed. However, during this time we noted that the Grants Management Team had reimbursed the subrecipient for 2 months out of the 5 months of invoices between the time when the inspection failed and when the follow up inspection passed. We noted that the HIV / AIDS, Hepatitis, STD, and TB Administration (HAHSTA) holds any reimbursements to subrecipients for expenditures incurred during that time period until they have successfully completed a Housing Quality Inspection. We also noted that HAHSTA requires Program Officers to communicate with the Grants Management Team to ensure that no invoices are paid between when an inspection fails and when appropriate corrective action is taken and a follow up inspection has a passing status.

Furthermore, we selected 5 out of a total population of 16 subrecipients to test for compliance with subrecipient monitoring requirements. For 3 of the 5 subrecipients selected, the District did not track when the audit reports were received to determine if management followed up on any audit findings 6 months after the subrecipient’s OMB Circular A-133 audit reports were received.

Cause

The District did not have an effective system of internal control to ensure compliance with the subrecipient monitoring requirements.

Effect

The District’s Housing Opportunities for Persons with AIDS program is not in compliance with subrecipient monitoring requirements.

Recommendation

We recommend that policies and procedures are developed for management's review periodically during the year of the subrecipient monitoring process. The policies and procedures should include a checklist to document what was reviewed, who reviewed, and when. Management should also develop policies and procedures to ensure employees are enforcing HAHSTA's policies and procedures appropriately and timely and consider it during the annual performance process.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DOH concurs with this finding regarding subrecipient monitoring for Housing Opportunities for Persons with AIDS (14.241) grants.

HAHSTA has implemented a new internal protocol that establishes a requirement for personnel to (1) document review of the Housing Quality Standards (HQS) Inspection Report for a HOPWA grantee within 15 days of receipt of the report, and (2) develop and implement recommendations on addressing any findings of the HQS inspection Report. This plan will include a mandated grantee corrective action plan, start and end dates of planned actions and milestones and persons responsible for addressing deficiencies. The plan will indicate the potential for the disallowance of costs, suspension of payment or termination of the grant award in the case of non-compliance. HAHSTA's personnel have received an orientation and directive to immediately implement these protocols, which will be incorporated into a formal HOPWA Program Procedural Manual to be issued prior to FY 2013 in line with the start-up of a new cycle of HOPWA continuation awards. In addition, DOH Office of Grants Management is in the process of reissuing policies and procedures for monitoring DOH-issued grant awards. OGM will coordinate with HAHSTA on integrating special requirements for HOPWA in the existing DOH policy and procedures for developing mandatory monitoring plans, site visit reports and performance reports for grantees. Compliance with these core elements and standards for monitoring DOH-issued grants will be integrated into individual performance plans of responsible program and grants management personnel assigned to monitor DOH-issued grant awards.

<i>Finding Number</i>	2011-30
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS (14.241)
<i>Federal Award Number</i>	DCH10-F001 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department Housing and Urban Development
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Special Tests & Provisions – Housing Quality Standards

Criteria

Per.24 CFR section 574.310, “The guarantee shall ensure that qualified, service providers in the area make available appropriate supportive services to the individuals assisted with housing under this subpart. Supportive services are described in § 574.300(b)(7). For any individual with acquired immunodeficiency syndrome or a related disease who requires more intensive care than can be provided in housing assisted under this subpart, the grantee shall provide for locating a care provider who can appropriately care for the individual and for referring the individual to the care provider.”

Furthermore, the grantee has the responsibility to ensure that “all housing assisted under § 574.300(b) (3), (4), (5), and (8) must meet the applicable housing quality standards ... [including] state and local requirements and habitability standards [which include] structure and materials, access, space and security, interior air quality, water supply, thermal environment, illumination and electricity, food preparation and refuse disposal, and sanitary conditions.”

Condition

The District’s HIV/AIDS, Hepatitis, STD, and TB Administration (HAHSTA) does not have documented policies and procedures as it relates to the monitoring of Housing Quality Inspections.

During our procedures, we reviewed one sample item and noted that management did not maintain adequate documentation that the housing inspection was reviewed or reviewed timely. For the same sample item, we noted that the property failed the first inspection and the second inspection to check up on the corrective actions was not performed until 178 days after the failure of the first inspection. HAHSTA’s informal guidelines dictate that corrective action has to occur within 30 days after the failure of an inspection. Furthermore, the Program Officers within HAHSTA are responsible for tracking and scheduling all the housing inspections (initial and follow up).

During our compliance testwork we noted that of 10 samples selected, 6 had failed inspections. Of the 6 failed inspections, 3 of them had no follow up inspection and 1 had a follow up inspection 178 days after the initial failed inspection.

Cause

The District did not have an effective system of internal control in place to ensure compliance with Housing Quality Standards requirements.

Effect

The District is not in compliance with Housing Quality Standards requirements.

Recommendation

We recommend that management develop and formalize policies and procedures regarding the Housing Quality Standards compliance requirement including adequate and timely review of inspections and timely scheduling of inspections. We further recommend that management develop a quality control monitoring process to ensure that inspections are being reviewed and are scheduled timely.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DOH concurs with this finding regarding special testing for compliance with requirements for housing quality inspections for Housing Opportunities for Persons with AIDS (14.241) grants.

HAHSTA has implemented a new internal protocol that establishes a requirement for personnel to (1) document review of the Housing Quality Standards (HQS) Inspection Report for a HOPWA grantee within 15 days of receipt of the report, and (2) develop and implement recommendations on addressing any findings of the HQS inspection Report, up to and including: disallowance of costs, suspension of payment or termination of the grant award. Personnel have received an orientation and directive to immediately implement these protocols, which will be incorporated into a formal HOPWA Program Procedural Manual to be issued prior to FY 2013 in line with the start-up of a new cycle of HOPWA continuation awards.

<i>Finding Number</i>	2011-31
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Unemployment Insurance (17.225)
<i>Federal Award Number</i>	UI-21092-11-55-A-11 (10/1/10-9/30/11) UI-19575-10-55-A-11 (10/1/09-9/30/10)
<i>Federal Agency</i>	U.S. Department of Labor (including ARRA expenditures)
<i>District Department</i>	District Department of Employment Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed & Allowable Costs / Cost Principles

Criteria

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

Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that “to be allowable under Federal awards, cost must be adequately documented.” In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Section 903(d)(4), SSA (Social Security Act), [an] appropriation is explicitly required. TEUCA, says the distribution may be used for administrative purposes “subject to” the appropriation requirements of Section 903(c)(2), SSA.) However, the amendments also provide that one of the existing state appropriation requirements does not apply. State appropriations are not required to specify that moneys appropriated must be obligated within the two-year period beginning on the date of enactment of the state’s appropriation law. States are free to obligate moneys beyond this two-year date. (State law may, however, restrict the obligation period to two years or less.)

Condition

While performing allowability procedures over non-payroll expenditures for the Unemployment Insurance program operated by the Department of Employment Services (DOES), we selected a sample of 95 transactions totaling \$2,225,713 out of a population of \$6,834,128 and noted the following 10 exceptions:

1. One (1) expenditure in the amount of \$7,088 was a duplicate payment to a vendor.
2. Six (6) expenditures totaling \$20,046, were split purchase orders charging a percentage of the expenditure to the grant; however, the full invoice cost was charged to the grant. The overcharged expenditures totaled to \$3,686.
3. Three (3) expenditures, totaling \$2,890, did not have supporting invoices or other documentation available for review.

Cause

DOES program and finance management does not have sufficient internal control policies and procedures and oversight of transactions claimed under the grant.

Effect

The District did not comply with the grant requirements for claiming allowable costs under the Unemployment Insurance grant program.

Recommendation

KPMG recommends that the DOES program management and its financial personnel perform a more detailed review of transactions to ensure that program and administrative expenditures are:

- Allowed prior to being charged to the grant;
- Appropriately charged to the grant at the correct percentage; and
- Supported with adequate documentation to support the expenses.

Related Noncompliance

Noncompliance

Questioned Costs

\$13,664

Views of Responsible Officials

Management concurs with the facts of this finding. Management will ensure that established procedures for payment of invoices are consistently followed; payments/charges should be based on accounting attributes noted in established purchase order. In addition, internal control policies and procedures developed to properly track and document all transaction payments claimed under the grant, including document scan and original file storage to ensure that the DOES is in compliance with all grant requirements will be consistently followed.

<i>Finding Number</i>	2011-32
<i>Prior Year Finding Number</i>	2010-32
<i>Federal Program</i>	Unemployment Insurance (17.225)
<i>Federal Award Number</i>	UI-21092-11-55-A-11 (10/1/10-9/30/11) UI-19575-10-55-A-11 (10/1/09-9/30/10)
<i>Federal Agency</i>	U.S. Department of Labor (including ARRA expenditures)
<i>District Department</i>	District Department of Employment Services
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity’s internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

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

In addition, the ET Handbook, 4th Edition (II-3-4) states, the ETA 191 should be submitted electronically to the National Office by the 25th of the month following the close of the quarter.

Lastly, according to the ET Handbook No. 336, 18th Edition, the UI3 worksheet is due within 30 days after the end of the reporting quarter. The ETA 9130 is due 45 days after the end of the reporting quarter.

Condition

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

1. DOES program employees rely heavily on third-party contractors to gather the data from DUTAS and DOCS used in the Unemployment Insurance financial reports, specifically, for the following reports:
 - ETA 581, *Contribution Operations (OMB No. 1205-0178)*
 - ETA 191, *Financial Status of UCFE/UCX (OMB No 1205-0162)*
 - ETA 227, *Overpayment Detection and Recovery Activities (OMB No.1205-0162)*
2. The following reports are not being reviewed by a supervisor prior to being submitted to the Department of Labor:
 - One (1) of the four (4) ETA 2112, *UI Financial Transaction Summary (OMB No. 1205-0154)* selected for testing
 - Two (2) of the two (2) ETA 581, *Contribution Operations (OMB No. 1205-0178)*

- Two (2) of the two (2) ETA 191, *Financial Status of UCFE/UCX (OMB No 1205-0162)*
 - Two (2) of the two (2) ETA 227, *Overpayment Detection and Recovery Activities (OMB No.1205-0162)*
 - Two (2) of the two (2) ETA UI3, *UI Contingency report-Special report.*
3. The ETA UI3 reports were not submitted timely for two (2) out of two (2) quarterly reports tested.
 4. The ETA 191 reports were not submitted timely for one (1) out of two (2) quarterly reports tested.
 5. The ETA 9130 reports were not submitted timely for five (5) out of nine (9) quarterly reports tested.

Cause

The DOES program management does not have resources that are trained to administer and monitor the report information pulled from the DUTAS and DOCS systems by the third-party contractors for use in financial reports. Additionally, there are currently no controls in place to require reports to be reviewed in a timely manner by a supervisor prior to being submitted to the Department of Labor to ensure their accuracy and timely submission.

Effect

The DOES program management has not maintained an appropriate control environment over reporting which could result in unsupported and inaccurate amounts being reported to the Federal government or in the untimely filing of required information.

Recommendation

The DOES program management should develop a control environment over reporting to ensure that:

- Adequate internal resources are trained in the reporting for the UI program;
- Amounts reported to the Federal government on the required reports are adequately supported and provided timely; and
- Supporting documentation is maintained so that adequate management review can be performed prior to submission of the reports to the Federal government.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management does not concur with the facts of this finding. In response to Condition 1, further clarification is needed. While it is true that many of the automated processes at DOES are performed by contractors, the business requirements for the production of the reports were provided by DOES staff. Through attrition and reassignment, the validation of the reports generated by the automated systems stopped when it was determined the reports were capturing the correct data elements for

USDOL performance measures. DOES plans to institute measure to validate the reports prior to submission to USDOL.

In response to Condition 3, DOES will implement controls for USDOL reports to be reviewed and approved by management prior to being transmitted to USDOL. In response to Conditions 3-5, DOES will strive to ensure all reports are transmitted timely.

KPMG's Response

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

<i>Finding Number</i>	2011-33
<i>Prior Year Finding Number</i>	2010-37
<i>Federal Program</i>	Highway Planning and Construction (20.205)
<i>Federal Award Number</i>	Multiple
<i>Federal Agency</i>	U.S. Department of Transportation (including ARRA expenditures)
<i>District Department</i>	District Department of Transportation
<i>Compliance Requirement</i>	Davis-Bacon Act

Criteria

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

The Davis-Bacon Act (Act) applies to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine such locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors performing work on federal or District of Columbia contracts.

Each contractor or subcontractor engaged in the construction, completion, or repair of any public work, or work financed in whole or in part by grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by the Act during the preceding weekly payroll period (29 CFR §3.3(b)). Each weekly statement required under §3.3 shall be delivered by the contractor or subcontractor, within seven days after the regular payment date of the payroll period, to a representative of a Federal or State agency in charge at the site of the building or work, or, if there is no representative of a Federal or State agency at the site of the building or work, the statement shall be mailed by the contractor or subcontractor, within such time, to a Federal or State agency contracting for or financing the building or work (29 CFR §3.4(a)).

In addition, contractors and subcontractors under contracts subject to the Act are required to comply with its compensation requirements throughout the period of performance on the contract and to do so with respect to all employees who in any workweek are engaged in performing work on such contracts. Similarly, in the absence of such records, an employee performing any work on or in connection with the contract in a workweek shall be presumed to have continued to perform such work throughout the workweek, unless affirmative proof establishing the contrary is presented (29 CFR §4.179)

Condition

We identified the following:

1. For forty-one (41) of the 65 sample items selected, the District Department of Transportation (DDOT) did not maintain adequate documentation showing the date the payroll items were reviewed and demonstrate that DDOT was monitoring contractor compliance with timely submission of weekly payroll records.
2. For twenty-four (24) of the 65 sample items selected, the support provided by DDOT demonstrates that the payroll had not been timely reviewed (e.g. payroll of 8/13/2011 was reviewed on 12/30/2011).

3. For sixteen (16) of the 65 items selected, DDOT did not maintain adequate documentation of when the payroll submitted by the contractor had been submitted to DDOT.
4. For two (2) of the 65 items selected, the notification that the payroll had been submitted to DDOT was past the 7 day requirement.
5. For one (1) of 65 items selected, the contractor did not submit a weekly payroll until contacted by the Davis-Bacon consultants brought in by DDOT to improve the policies and procedures surrounding the Davis-Bacon requirements. There was no work performed during the week in question, however DDOT was unable to provide support that the contractor had notified DDOT and thus suspended the requirement to submit a weekly payroll.

Cause

DDOT did not have adequate policies and procedures or consistently adhere to its established policies and procedures to ensure compliance with the Davis-Bacon Act. We noted that during FY 2011, DDOT employed the use of consultants that specialize in the area of Davis-Bacon compliance.

Effect

Payroll registers from contractors were not provided to DDOT, or were not adequately reviewed by DDOT.

Recommendation

We recommend that the DDOT program management continue to develop and implement monitoring controls and policies and procedures to timely and periodically review supporting documentation to ensure that the contracting specialists are properly monitoring Davis-Bacon Act requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

General Comments:

The Davis-Bacon “Criteria” cited by KPMG in the *Notification of Findings and Recommendations* represents Davis-Bacon requirements that are applicable to Contractors, not to the oversight agency. They have failed to detail the oversight agency criteria that they used to evaluate DDOT’s compliance with monitoring requirements.

Control Related:

1. For forty-one (41) of the 65 sample items selected, KPMG was unable to determine the date the payroll had been reviewed by District Department of Transportation (DDOT). Therefore, we were

unable to determine if DDOT was monitoring contractor compliance with timely submission of weekly payroll records.

DDOT RESPONSE:

DDOT disagrees with this finding. Consistent with prior years, it is DDOT's policy to monitor timely submission of weekly payrolls and to evidence that monitoring by requiring the reviewer to sign off on payrolls. Sign-offs were present in all 65 samples selected by KPMG. In an effort to improve documentation, DDOT has enhanced procedures related to the receipt of payrolls to include time stamping of payrolls upon receipt; however, this control did not exist during FY 2011 and therefore should not have been used as criteria for testing.

Control Related (continued):

2. For twenty-four (24) of the 65 sample items selected, the support provided by DDOT demonstrates that the payroll had not been timely reviewed (e.g. payroll of 8/13/2011 was reviewed on 12/30/2011).

DDOT RESPONSE:

DDOT disagrees with this finding and requests that KPMG define "timely review" and support that definition by reference to Davis-Bacon regulations. DDOT has already made inquiries to the Enforcement Unit of the Wage and Hour Division of the Department of Labor and confirmed that timely review is not addressed in any regulations. Furthermore, all 65 payrolls have been reviewed for Davis-Bacon compliance and those reviews have been evidenced by sign-offs by the respective reviewers. Davis-Bacon record retention requirements mandate that payrolls and supporting documentation be maintained by the Contractor for a minimum of 3 years after the completion of the contract. All reviews have taken place within that window.

In an effort to enhance documentation of compliance monitoring, DDOT has created a new review tool. The new review tool includes a column indicating the date of review by the DDOT reviewer. DDOT recognizes that it is good practice to adopt written policies and procedures regarding the timing of monitoring reviews and therefore will be adopting a review policy on or before September 30, 2012.

Compliance Related:

3. For sixteen (16) of the 65 items selected, DDOT was unable to provide support for when the payroll submitted by the contractor had been submitted to DDOT.

DDOT RESPONSE:

In some instances, KPMG indicated that they were unable to determine whether the payroll was received within the 7 day requirement. DDOT concurs with that assessment. The previous review tool utilized by DDOT reviewers did not have a place for the reviewer to record the date of receipt of the payroll; however, monitoring of compliance with that requirement was performed by the Contract Specialists. Additionally, payrolls were not time/date stamped upon receipt. DDOT recognizes that it is a "best practice" to date stamp payrolls upon receipt by the department so that compliance with Davis-Bacon submission requirements can be clearly evaluated, verified, and documented. Therefore, in January 2012, DDOT purchased date stamps and has begun the practice of requiring Contract Procurement staff to stamp payrolls upon receipt. A policy requiring the date stamping of payrolls will be adopted by DDOT on or before September 30, 2012.

NOTE: DDOT believes that the non-compliance with timely submission of Certified Payrolls is not applicable to the oversight agency. This issue of recurring non-compliance by Contractors not timely submitting payrolls is properly being monitored and investigated by DDOT to mitigate the risk of contractors not paying their employees prevailing wages. This is evidenced by the subsequent receipt and review of missing payrolls that were requested by Contract Specialist. However, process improvements are currently being implemented to provide an audit trail of the Davis Bacon review process.

Compliance Related (continued):

4. For two (2) of the 65 items selected, the notification that the payroll had been submitted to DDOT was past the 7 day requirement.

DDOT RESPONSE:

DDOT disagrees that this is a finding related to the Agency. Untimely submission of certified payrolls to DDOT by a Contractor represents non-compliance by the Contractor, not by DDOT. In the two instances noted above, DDOT requested and subsequently received and reviewed both payrolls.

NOTE: DDOT believes that the non-compliance with timely submission of Certified Payrolls is not applicable to the oversight agency. This issue of recurring non-compliance by Contractors not timely submitting payrolls is properly being monitored and investigated by DDOT to mitigate the risk of contractors not paying their employees prevailing wages. This is evidenced by the subsequent receipt and review of missing payrolls that were requested by Contract Specialist. However, process improvements are currently being implemented to provide an audit trail of the Davis Bacon review process.

Compliance Related (continued):

5. For one (1) of 65 items selected, the contractor did not submit a weekly payroll until contacted by the Davis-Bacon consultants brought in by DDOT to improve the policies and procedures surrounding the Davis-Bacon requirements. There was no work performed during the week in question, however DDOT was unable to provide support that the contractor had notified DDOT and thus suspended the requirement to submit a weekly payroll.

DDOT RESPONSE:

DDOT disagrees with this finding. DBRA payroll submission requirements are specifically applicable to weeks in which work is actually performed. DDOT does not require Contractors to submit “No Work Performed” payrolls. Discretion is used by oversight agencies in how they choose to receive notification by Contractors of weeks in which no work is performed. If a Contractor does not expect to be on the job site for several weeks, it is recommended that the Contractor submit a statement to DDOT notifying that “NO WORK” will be performed on the project for an extended period of time, and providing an approximate date of return. During the period under review, DDOT allowed a variety of notification methods including, submission of “zero” payrolls; notification via letter; and notification via email. Additionally, affirmative proof of no work weeks is obtained through discussion with the assigned Project Engineer. Signed “Statement of Compliance” forms are not required under these circumstances.

KPMG’s Response

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

<i>Finding Number</i>	2011-34
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Highway Planning and Construction (20.205)
<i>Federal Award Number</i>	CM023A
<i>Federal Agency</i>	U.S. Department of Transportation (including ARRA expenditures)
<i>District Department</i>	District Department of Transportation
<i>Compliance Requirement</i>	Program Income

Criteria

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

Except as required in 2 CFR §215.24(e) and (h), Program income is gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. (2 CFR §215.2(x))

Recipient organizations of federal awards are required to account for program income related to projects financed in whole or in part with Federal funds in accordance with standards set forth in 2 CFR 215.24. Program income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following (2 CFR §215.24(b)):

- (1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives. (2 CFR §215.24(b)(1));
- (2) Used to finance the non-Federal share of the project or program. (2 CFR §215.24(b)(2)); and/or
- (3) Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based. (2 CFR §215.24(b)(3)).

Except for projects or programs relating to research, in the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, the program income earned shall automatically be deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based (2 CFR §215.24(d)).

Condition

While determining which compliance requirements were direct and material for this program, management communicated that they had program income of \$2,133,607 resulting from the Capital Bike Share Program. However, management had not recorded the program income that had been earned during FY 2011 from this vendor in the general ledger. However, we noted that the failure to record program income did not affect the cash management and reporting compliance requirements, as the District reduced their cash drawdowns for such program income and reports filed included such program income.

Cause

The cause is attributable to the inadequacy of financial reports from the contractor managing the Capital Bike Share program which resulted in delay of the reconciliation and recognition of program income in the general ledger. Management failed to make an estimated accrual based on data available.

Effect

The District Department of Transportation's failure to record the program income in the general ledger resulted in noncompliance with the program income compliance requirements.

Recommendation

We recommend that the District Department of Transportation establish policies and procedures to ensure that program income received is properly recorded and used in accordance with regulations or the terms and conditions of the award.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the facts of this finding and has established policies and procedures to ensure program income is properly and timely recorded and used in accordance with regulations and the terms and conditions of the federal award. All program income attributable to fiscal year 2011 was recorded in fiscal year 2012 upon receipt of reconciled financial reports from the bike share program contractor.

<i>Finding Number</i>	2011-35
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	State Energy Program (81.041)
<i>Federal Award Number</i>	DE-EE0000117 (4/20/09-4/30/12) DE-FOA-0000308 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Energy (including ARRA expenditures)
<i>District Department</i>	Department of the Environment
<i>Compliance Requirements</i>	Subrecipient Monitoring and Special Tests & Provisions – R3-Subrecipient Monitoring

Criteria

Per 31 USC 7502(f)(2)(A), “each pass-through entity shall provide such subrecipient the program names (and identifying numbers) from which such assistance is derived, and the Federal requirements which govern the use of such awards and the requirements of this chapter.”

In addition, per 2 CFR Section 176.210 (c), “recipients agree to separately identify to each sub-recipient, and document at the time of sub-award and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to sub-recipients shall distinguish the sub-awards of incremental Recovery Act funds from regular sub-awards under the existing program.”

Condition

We noted that there are 11 subrecipients receiving funds under the State Energy Program (SEP) operated by the District Department of the Environment (DDOE) in FY 2011. During our testwork over the subrecipient monitoring compliance requirement, for four of the four sub-recipients tested, the CFDA number (81.041), CFDA title (State Energy Program), and the name of the Federal awarding agency (U.S. Department of Energy) were not recorded on the subrecipient award letter.

Cause

The SEP program management failed to properly review the subrecipient agreement to ensure that all required documentation is present.

Effect

The subrecipient entities were not correctly notified at the time of the award of the appropriate identifying numbers pertaining to the Federal award. As a result, the DDOE SEP program did not comply with SEP sub-recipient monitoring requirements with regard to the communication of such information.

Recommendation

We recommend that DDOE program management enhance its policies and procedures to ensure that accurate and appropriate information, including the CFDA number and title and Federal awarding agency, is included in all subrecipient award letters.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DDOE has made the corrective actions for fiscal year 2012 sub-recipient awards. DDOE has since implemented layers of supervisory and program management reviews in the issuance process of sub-recipient awards. DDOE will ensure all future sub-recipient award letters include the federal award name, the CFDA number, and the Federal award number.

<i>Finding Number</i>	2011-36
<i>Prior Year Finding Number</i>	2010-91
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	T0AHP18556 (7/1/10-6/30/11) T08HP18866 (7/1/10-6/30/11) T08HP22496 (7/1/10-6/30/11)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Cash Management

Criteria

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

Per 34 Code of Federal Regulations (CFR) 668.162(d):

Under the reimbursement payment method— (1) An institution must first make disbursements to students and parents for the amount of funds those students and parents are eligible to receive under the Federal Pell Grant, ACG, National SMART Grant, TEACH Grant, Direct Loan, and campus-based programs before the institution may seek reimbursement from the Secretary for those disbursements. The Secretary considers an institution to have made a disbursement if the institution has either credited a student's account or paid a student or parent directly with its own funds; (2) An institution seeks reimbursement by submitting to the Secretary a request for funds that does not exceed the amount of the actual disbursements the institution has made to students and parents included in that request.

Condition

Management is not performing timely reviews and approval of draw-downs. For seven of eight draw-downs tested, the review and approval of the draw-down occurred after the draw-down date.

Additionally, for three expenditures, totaling \$1,428,415, of the eight expenditures tested, totaling \$9,128,823, adequate supporting documentation was not provided and/or maintained to indicate that disbursements were made prior to the draw-down being performed by the District.

Cause

The District does not have sufficient control policies and procedures in place to ensure timely reviews and adequate supporting documentation is maintained to substantiate that amounts being drawn-down were previously disbursed.

Effect

The District is not in compliance with the Cash Management compliance requirements of the Student Financial Assistance Cluster program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District develop control policies and procedures to ensure timely and effective reviews of all draw-downs and the maintenance of adequate supporting documentation to substantiate that amounts being drawn-down were previously disbursed.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The University has adequate policies and procedure in place and follows the District policies for request and draw-downs of funds for all Federal grants. Draw downs are based on cash expenditures only. The accountant compares cash revenue to cash expenditures to determine if accounts receivable situation exist (excess cash expenditure over cash revenue). This condition necessitates a draw down. All draw downs are subject to adequate supervisory review.

We have three different documentations to support that expenditures were incurred and disbursements were made to students or parents. The banner screens/forms (FGIBDST). Banner ROAMGT Report from financial aid module and Department of Education COD report. COD report is an external report that confirms expenditures and shows year to date cumulative drawdown amounts and is the available balances for the University to draw. It is UDC management's view that adequate supports are being provided to the auditors.

<i>Finding Number</i>	2011-37
<i>Prior Year Finding Number</i>	2010-92
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	T0AHP18556 (7/1/10-6/30/11) T08HP18866 (7/1/10-6/30/11) T08HP22496 (7/1/10-6/30/11)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Eligibility

Criteria

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

Awards must be coordinated among the various programs and with other Federal and non-Federal aid (need and non-need based aid) to ensure that total aid is not awarded in excess of the student's financial need (34 CFR section 668.42, FPL, FWS, and FSEOG, 34 CFR sections 673.5 and 673.6; FFEL, 34 CFR section 682.603; Direct Loan, 34 CFR section 685.301; HPSL, PCL, and LDS, 42 CFR section 57.206; NSL, 42 CFR section 57.306(b)).

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

Condition

The District disbursed \$32,096,103 in student financial assistance in fiscal year 2011. During our test work over eligibility compliance we noted:

1. For two (2) students who received \$31,420 in student financial assistance from a total of 95 students tested who received \$834,966, an award amount greater than the subsidized loan limit and one of the students was also over the combined subsidized and unsubsidized loan limit. These two individuals were over the limit by a combined \$14,249.
2. Eleven (11) students who received \$101,734 in federal financial assistance from a total of 95 students tested who received \$895,311, did not maintain satisfactory academic progress and should have been suspended from receiving federal aid due to the percentage completion requirement (70%).
3. For thirty-seven (37) students who received \$274,698 in student financial assistance from a total of 65 students who received \$455,852, our re-calculated cost of attendance did not match the cost of attendance in the student's account.
4. Four (4) students, who received \$92,000 in student financial assistance from a total of 95 students tested, who received \$834,966, received an award in excess of need and/or the expected family contribution (EFC). In total, these students were awarded aid in excess of their EFC in the amount of \$32,750.

5. For six (6) students who received \$66,732 in student financial assistance from a total of 95 students who received \$834,966, the District did not maintain sufficient supporting documentation (i.e., transcripts, SAR form).

Cause

Management does not have sufficient controls, policies and procedures to ensure compliance with all applicable eligibility requirements.

Effect

The District is not in compliance with the Eligibility compliance requirements of the Student Financial Assistance Cluster program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District establish controls, policies and procedures that ensure compliance with the requirements of the Student Financial Assistance Cluster program. These include ensuring: (1) compliance with all applicable eligibility requirements prior to the disbursement of aid and, (2) appropriate documentation is maintained by District personnel.

Related Noncompliance

Material noncompliance

Questioned Costs

\$216,465

Views of Responsible Officials

In response to finding #1: The University has installed funding rules in the new Banner system that will prevent this error from occurring.

In response to finding #2: The University has a 67% SAP quantitative measurement. The auditors were provided the incorrect policy by the Pro-Education Solutions Consultant assisting with the audit. When informed of this, the Consultant was informed “it wouldn’t make much difference” and no re-review was conducted.

In response to finding #3: The Higher Education Act, Section 472 and Chapter 2, Volume 3, Page 35 of the Federal Student Aid Handbook specifically state, “The cost of attendance for a student is an estimate of that student’s educational expenses for the period of enrollment.” The UDC students in question above received an estimated cost of attendance that included loan origination and processing fees for the Federal Family Educational Loan Program (FFELP). When the University transitioned to the Federal Direct Loan Program, the FFELP loan origination and processing fees were eliminated from the “estimated” cost of attendance. The University disputes the findings based on “estimated budgets.”

In response to finding #4: The University has installed funding rules in the new Banner system that will prevent this error from occurring.

In response to finding #5: The University disputes these findings as the KPMG auditors requested the 2010-11 SAR records after the U.S. Department of Education ceased processing and providing ISIR records for the 2010-11 award year. SIS+ system records were available for review, but not accepted by the Auditor.

KPMG's Response

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

<i>Finding Number</i>	2011-38
<i>Prior Year Finding Number</i>	2010-93
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	<i>P007A090836 (7/1/10-6/30/11)</i> <i>P033A090836 (7/1/10-6/30/11)</i> <i>P063P101238 (7/1/10-6/30/11)</i> <i>T08HP13254-01-00 (7/1/10-6/30/11)</i>
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Period of Availability

Criteria

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

2 CFR § 215.28 Period of availability of funds. Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

Condition

The District disbursed \$32,096,103 in student financial assistance in fiscal year 2011. We selected 65 students who received a total of \$250,459 in student financial assistance in fiscal year 2011.

During testing over period of availability requirements, we noted:

1. For five (5) students who received \$12,395 in student financial assistance, an adjustment was not applied to the student account until March 2012, which is outside the period of availability. Based on the calculations performed in fiscal year 2012, the District is required to return \$2,229 in federal assistance for two students.
2. For seventeen (17) students who received \$53,920 in student financial assistance, the recalculated 'percentage of payment period or period of enrollment completed,' which is used to determine the financial aid earned by the District, did not agree to the percentage on the District's recalculation form. Therefore, incorrect adjustments were made to the student accounts totaling \$25,000.

Cause

The District does not have adequate controls in place to ensure that obligations occur within the period of availability and adjustments to the Federal funds relate to transactions that occurred during the period of availability.

Effect

The District is not in compliance with the Period of Availability compliance requirement of the Student Financial Assistance Cluster program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District establish controls, policies and procedures that support adherence to the period of availability requirements of the Student Financial Assistance Cluster program. This includes ensuring adjustments are applied to the student account in the proper period and accurate.

Related Noncompliance

Material noncompliance

Questioned Costs

\$27,229

Views of Responsible Officials

Management disputes the questioned costs of \$12,395 as only one student's account was adjusted in March 2012 for \$1,288. OFA disagrees with the finding, "for 5 students who received \$12,395 in student financial assistance, an adjustment was not applied to the student account until March 2012, which is outside the period of availability." For four students, there was no adjustment in March 2012. The students were eligible for all aid disbursed during the period of enrollment. For one student, the student was a post-withdrawal disbursement that was adjusted in March 2012.

Management agrees with the finding that, "the recalculated 'percentage of payment period or period of enrollment completed,' used to determine the financial aid earned by the University, did not agree to the percentage on the University's recalculation form." The person performing the calculations is no longer with UDC. Preventative controls have been designed in the Banner financial aid system to ensure the accurate percentage calculation of the payment period.

KPMG's Response

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

<i>Finding Number</i>	2011-39
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	T0AHP18556 (7/1/10-6/30/11) T08HP18866 (7/1/10-6/30/11) T08HP22496 (7/1/10-6/30/11)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Reporting

Criteria

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

2 CFR 215.21 – Standards for financial management systems. (b) Recipients' financial management systems shall provide for the following. (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest. (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

2 CFR 215.51 – Monitoring and reporting program performance. (b) The Federal awarding agency shall prescribe the frequency with which the performance reports shall be submitted. Except as provided in §215.51(f), performance reports shall not be required more frequently than quarterly or, less frequently than annually. Annual reports shall be due 90 calendar days after the grant year; quarterly or semi-annual reports shall be due 30 days after the reporting period. The Federal awarding agency may require annual reports before the anniversary dates of multiple year awards in lieu of these requirements. The final performance reports are due 90 calendar days after the expiration or termination of the award.

Condition

During our testing over reporting requirements, we noted:

1. There was no evidence that the FISAP (Fiscal Operation Report and Application to Participate) report was properly reviewed and approved prior to submission.
2. The SF-425 Report to the Health Resources and Services Administration (HRSA) was not submitted within 90 days of the end of the budget period. The budget end date is 6/30/2011 and the report was submitted on 12/1/2011.
3. The ARRA SF-425 report was not submitted within 90 days of the end of the budget period. The budget end date is 6/30/2011 and the report was submitted on 12/12/2011.
4. Line 4 of Part III Federal Perkins Loan Program of the FISAP report did not agree to the support provided. There was difference of \$4,413.

Cause

The District did not have sufficient controls, policies and procedures in place to ensure compliance with all applicable Student Financial Assistance Cluster program Reporting requirements.

Effect

The District is not in compliance with the applicable Student Financial Assistance Cluster program Reporting requirements. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District implement policies and procedures that ensure (1) timely reviews of the FISAP report, (2) sufficient documentation is maintained, and (3) compliance with the SF-425 and ARRA 1512 reporting requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management disputes the finding, “there was no evidence that the FISAP (Fiscal Operation Report and Application to Participate) report was properly reviewed and approved prior to submission.” The President of the University of the District of Columbia reviewed the FISAP with the team and approved it as evidenced by his signature.

In addition, the SF 425 quarterly report for the Scholarships for Disadvantaged Student’s (SDS) grant for the period ended 6/30/2011 was submitted on time. The report was submitted on 9/2/2011, not 12/31/2011.

KPMG’s Response

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

<i>Finding Number</i>	2011-40
<i>Prior Year Finding Number</i>	2010-95
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	<i>P007A090836 (7/1/10-6/30/11)</i> <i>P033A090836 (7/1/10-6/30/11)</i> <i>P063P101238 (7/1/10-6/30/11)</i> <i>T08HP13254-01-00 (7/1/10-6/30/11)</i>
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests & Provisions – Verification

Criteria

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

34 CFR § 668.54: Selection of applications for verification. 2)(i) An institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary, to verify all of the applicable items specified in §668.56, except that no institution is required to verify the applications of more than 30 percent of its total number of applicants for assistance under the Federal Pell Grant, ACG, National SMART Grant, Federal Direct Stafford/Ford Loan, campus-based, and Federal Stafford Loan programs in an award year.

Condition

The District disbursed \$32,096,103 in student financial assistance in fiscal year 2011. We tested 65 students who received a total of \$441,317 in student financial assistance in fiscal year 2011.

We noted:

1. For the sixty-five (65) students tested, there was no evidence of the review and approval of the verification by the director of financial aid, despite the District's assertion that all verifications are reviewed.
2. For seventeen (17) students who received \$142,390 in student financial assistance, the information to be verified in the Student Aid Report (SAR) or Institutional Student Information Report (ISIR) by a counselor did not agree to the information contained on the verification worksheet and/or tax forms provided in the student's file. This information includes the number of family members, the number of family members attending post- secondary institutions, US Income Tax Paid, Untaxed Income and Adjusted Gross Income (AGI).
3. For seventeen (17) students who received \$142,390 in student financial assistance, no data corrections were submitted to the central processor despite errors being identified during verification.
4. For one (1) student who received \$10,050 in student financial assistance, there was no documentation to support when the verification process was completed.
5. For three (3) students who received \$32,770 in student financial assistance, the tax return was not provided.

6. For two (2) students who received \$22,720 in student financial assistance, the verification worksheet was not provided.
7. For one (1) student who received \$5,942 in student financial assistance, the disbursement of funds occurred prior to the verification being completed.
8. For twenty (20) students who received \$92,075 in student financial assistance, the Student Aid Reports (SAR) could not be provided and therefore, could not be tested. Specifically, the SARs in our original sample request which were provide were retrieved by the District directly from the U.S. Department of Education (ED) after requested for audit. The SARs for these additional 20 items had been purged by ED and therefore, the District was unable to provide these for audit.

Cause

The District does not have controls in place to ensure compliance with the Special Tests & Provisions – Verification compliance requirement of the Student Financial Assistance Cluster program.

Effect

The District is not in compliance with the Special Tests & Provisions – Verification compliance requirement of the Student Financial Assistance Cluster program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District establish controls, policies and procedures that ensure compliance with the requirements of the Student Financial Assistance Cluster program. These procedures should include: (1) ensuring there is evidence of review of verifications; (2) data corrections are submitted to the central processor; and (3) ensuring copies of the Student Aid Reports (SAR) are maintained in the student file or in an assessable format.

Related Noncompliance

Material noncompliance

Questioned Costs

\$159,560

Views of Responsible Officials

For the 65 students tested, management disagrees with the finding relating to review and approval of verifications by the Director of Financial Aid. The Federal Verification Regulations 34 CFR 668, Subpart E (668.53) do not require the approval or review of verified files by trained financial aid administrators be conducted by the Director. Although UDC performs random internal assessments of verification on its Financial Aid Counselors, this is not a Federally required practice, only a best practice at UDC. As the University was without a full-time Financial Aid Director for part of the 2010-11 award year, this best practice was not performed on a consistent basis.

Management has provided training to the financial aid counselors to ensure that verifications are done accurately, timely and data corrections are submitted to the central processor. Quality controls are in place to ensure the accuracy and proficiency of verified files.

The KPMG Auditors requested 2010-11 ISIRs/SARs for their sample in December 2011, all of which were provided upon request. The 20 additional 2010-11 hardcopy ISIRs/SARs were requested in March 2012 when the U.S. Department of Education (USED) Central Processing System (CPS) ceased processing of 2010-11 ISIRs. They were now only processing 11-12 and 12-13 ISIRs / SARs after January 2, 2012. As a result of the late audit testing and request for additional 2010-11 files, UDC was unable to obtain additional hardcopy 2010-11 ISIRs/SARs from CPS.

For the 2010-11 Year, ISIRs were stored and transmitted in the SIS+ Financial Aid Management System. The records for the students in question had ISIR data stored within the SIS+ system that could be verified via the accepted transaction(s) in CPS. However, KPMG did not accept this ISIR format instead requesting that the University “maintain hard copies of the SARs of which over 12,000 applicants are on file.”

KPMG’s Response

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

<i>Finding Number</i>	2011-41
<i>Prior Year Finding Number</i>	2010-96
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	<i>P007A090836 (7/1/10-6/30/11)</i> <i>P033A090836 (7/1/10-6/30/11)</i> <i>P063P101238 (7/1/10-6/30/11)</i> <i>T08HP13254-01-00 (7/1/10-6/30/11)</i>
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests & Provisions – Disbursements To or On Behalf of Students

Criteria

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

34 CFR § 690.61 Submission process and deadline for a Student Aid Report or Institutional Student Information Record. (a) Submission process. (1) Except as provided in paragraph (a)(2) of this section, an institution must disburse a Federal Pell Grant to an eligible student who is otherwise qualified to receive that disbursement and electronically transmit Federal Pell Grant disbursement data to the Secretary for that student if— (i) The student submits a valid SAR to the institution; or (ii) The institution obtains a valid ISIR for the student. (2) In determining a student's eligibility to receive his or her Federal Pell Grant, an institution is entitled to assume that SAR information or ISIR information is accurate and complete except under the conditions set forth in 34 CFR 668.16(f) and 668.60.

34 CFR § 668.165 Notices and authorizations. (a) Notices. (1) Before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.

34 CFR § 668.304 Counseling borrowers. (a) Entrance counseling. (1) Except as provided in paragraph (a)(8) of this section, a school must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, or Federal SLS Loan.

34 CFR § 685.303 Processing loan proceeds. (b) General —(1)(i) A school that initiates the drawdown of funds. A school may not disburse loan proceeds to a borrower unless the school has obtained an executed, legally enforceable promissory note from the borrower.

Condition

The District disbursed \$32,096,103 in student financial assistance in fiscal year 2011. We tested 65 students who received a total of \$457,102 in student financial assistance in fiscal year 2011 and noted:

1. For one (1) student who received \$2,775 in student financial assistance, a valid Institutional Student Information Report (ISIR) was not maintained.

2. For thirty-nine (39) students who received \$365,156 in student financial assistance, there was insufficient documentation to support the date each student received a notification with the required information.
3. For one (1) student who received \$5,082 in student financial assistance, the date of disbursement for Pell per the Common Origination & Disbursement (COD) did not agree to the student account.
4. For four (4) students who received \$36,600 in student financial assistance, documentation supporting completion of the entrance counseling and/or promissory note were not available.
5. A student received a Pell disbursement of \$555 even though they were not eligible for any award.
6. A student received Pell awards of \$1,216 when they were only eligible for \$800, resulting in an overpayment of \$416.
7. For one (1) student the incorrect cost of attendance (COA) was used to calculate eligible financial aid. The student incorrectly received \$2,775 when they were only eligible for \$1,870 of Pell awards for the spring 2011 semester.
8. For one (1) student who received \$5,700 in student financial assistance, no account information was provided for the fall semester.
9. For five (5) students who received \$52,905 in student financial assistance, insufficient documentation was provided to support the dates and amounts of the disbursements.

Cause

The District does not have adequate controls in place to ensure compliance with the Special Tests & Provisions – ‘Disbursements To or On Behalf of Students’ compliance requirement of the Student Financial Assistance Cluster program.

Effect

The District is not in compliance with the Special Tests & Provisions – ‘Disbursements To or On Behalf of Students’ compliance requirement of the Student Financial Assistance Cluster program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District establish controls, policies and procedures that ensure compliance with the Special Tests & Provisions – ‘Disbursements To or On Behalf of Students’ compliance requirement of the Student Financial Assistance Cluster program.

Related Noncompliance

Material noncompliance

Questioned Costs

\$370,237

Views of Responsible Officials

UDC RESPONSE:

UDC Management disputes the questioned costs of \$387,987. Below are the disputed items:

1. For 1 student who received \$2,775 in student financial assistance, a valid Institutional Student Information Report (ISIR) could not be provided as the KPMG auditor requested the ISIR after the department of Education closed the FY 2010/2011 processing period. Since the processing period was closed, OFA was not able to download the ISIR from the Department of Education. The OFA provided the Auditors with information from Screen 314 Student Federal Data. The Student Federal Data is information downloaded from ISIR. It should be noted that the Auditors would not accept this information. There are no questioned costs associated with this finding.
2. OFA disputes the finding that “39 students that received financial aid of \$362,836 for which there was insufficient documentation to support the date each student received notification with the required information.” The purpose of 34 CFR 668.165 Notices and Authorization is to notify the students of the amount and anticipated date of disbursement. Students are notified through the award letter. Since the schools are no longer required to have a signed award letter, many have switched to a “passive acceptance” system, where students are told to return a signed award letter only if they want to reject one or more forms of financial aid (or to reduce the amount of loans). UDC used the “passive acceptance” method in FY 2010/2011. There are no costs associated with this finding.
3. OFA disputes the finding, “for 1 student who received \$1,750 in student financial assistance, the date of disbursement for Pell per the Common Origination & Disbursement (COD) did not agree to the student account. A review of the COD records against the SIS+ student account reveals a “date disbursed” of 12/22/2010 and 2/4/2011 simultaneously. Documentation on file.
4. Attached are the MPNs and Entrance Counseling confirmation. There are no costs associated with this finding.
5. OFA disputes the finding, “for 1 student the incorrect cost of attendance (COA) was used to calculate eligible financial aid. The student incorrectly received \$2,775 when they were only eligible for \$1,870 of Pell awards for the spring 2011 semester.” The student had a five-month \$5,000 budget with a zero EFC. He was enrolled for 13 credit hours and was eligible for the full entitled Federal Pell Grant amount of \$2,775 for the 2011 spring semester.
6. OFA disputes the finding, “for 1 student who received \$5,500 in student financial assistance, no account information was provided for the fall semester.”
7. OFA disputes the finding, “for 5 students who received \$52,905 in student financial assistance, insufficient documentation was provided to support the dates and amounts of the disbursements. Attached are COD and SIS+ print screen documentation demonstrating disbursements were made within Federal regulation program requirements.

KPMG’s Response

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

<i>Finding Number</i>	2011-42
<i>Prior Year Finding Number</i>	2010-97
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	P007A090836 (7/1/10-6/30/11) P033A090836 (7/1/10-6/30/11) P063P101238 (7/1/10-6/30/11) T08HP13254-01-00 (7/1/10-6/30/11)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests & Provisions – Return of Title IV Funds

Criteria

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

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

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

Condition

The District disbursed \$32,096,103 in student financial assistance in fiscal year 2011. We selected 65 students who received a total of \$250,459 in student financial assistance in fiscal year 2011. We noted:

1. There is no evidence of the review of the District’s calculation which determines the amount of title IV funds to be returned to the Federal government versus the amount earned by the District.
2. For three (3) students who received \$25,597 in student financial assistance, the student did not completely withdraw from the District during fiscal year 2011.

3. For twenty-two (22) students who received \$70,316 in student financial assistance, the District was unable to provide the student's withdrawal form.
4. For eleven (11) students who received \$62,806 in student financial assistance, the withdrawal date per the signed withdrawal form did not agree with the student's transcript and/or there was no date on the student's transcript.
5. For one (1) student who received \$5,554 in student financial assistance, the amount disbursed to the student as noted on District's return calculation documentation was incorrect.
6. For 17 students who received \$53,920 in student financial assistance, the recalculated percentage of payment period or period of enrollment completed, which is used to determine the financial aid earned by the District did not agree to the percentage on the District's recalculation form.
7. For one (1) student who received \$4,164 in student financial assistance, the District determined that the student earned all Title IV Funds. However, the date signed on the withdrawal form shows that the student was not enrolled for more than 60% of the payment period.
8. For one (1) student who received \$6,705 in student financial assistance, the student had direct loans that were not included in the District's return calculation. Subsequently, the return calculation was incorrect and the return of funds was not performed in the correct order.
9. For six (6) students who received \$6,277 in student financial assistance, the recalculated percentage of financial aid earned by the District did not agree to the percentage in the District's calculation; therefore, the amount of aid earned was incorrect.

Cause

The District does not have controls, policies and procedures in place to ensure compliance with the Special Tests & Provisions – 'Return of Title IV Funds' compliance requirement of the Student Financial Assistance Cluster program.

Effect

The District is not in compliance with the Special Tests & Provisions – 'Return of Title IV Funds' compliance requirement of the Student Financial Assistance Cluster program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District establish controls, policies and procedures that support adherence to the Special Tests & Provisions – 'Return of Title IV Funds' compliance requirement of the Student Financial Assistance Cluster program. These include ensuring: (1) return of title IV funds calculations are reviewed and approved prior to processing, and (2) adequate supporting documentation is maintained to support withdrawal.

Related Noncompliance

Material noncompliance

Questioned Costs

\$117,183

Views of Responsible Officials

The University has Federal Return of Title IV policies and procedures in place. R2T4 calculations were completed using the U.S. Department of Education's (USED), Central Processing System (CPS) R2T4 software against students reported as withdrawn from the school's SIS+ system. A binder of all of the hardcopy reported official and unofficial withdrawals and R2T4 calculations were provided to the auditors.

The three students in question did not have a R2T4 Refund returned to the USED. The University's migration to the Banner system has system controls that will prevent this from occurring on future reports.

Training will be implemented to ensure that staff in the Registrar's Office completes the withdrawal process accurately and maintains records, promptly notifying the Financial Aid Office of any official or unofficial withdrawal. In addition, with the migration to the new Banner Financial Aid Management System, the University has built system controls that will prevent reoccurrence of these findings and has updated policies, procedures and system controls to prevent reoccurrence.

KPMG's Response

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

<i>Finding Number</i>	2011-43
<i>Prior Year Finding Number</i>	2010-97
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	<i>P007A090836 (7/1/10-6/30/11)</i> <i>P033A090836 (7/1/10-6/30/11)</i> <i>P063P101238 (7/1/10-6/30/11)</i> <i>T08HP13254-01-00 (7/1/10-6/30/11)</i>
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests & Provisions – Return of Title IV Funds

Criteria

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

2 CFR § 215.21 Standards for financial management systems. (b) Recipients' financial management systems shall provide for the following. (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest. (7) Accounting records including cost accounting records that are supported by source documentation

Condition

The District disbursed \$32,096,103 in student financial assistance in fiscal year 2011. We selected 65 students who received a total of \$250,459 in student financial assistance in fiscal year 2011. We noted the following:

1. For one (1) student who received \$4,163 in student financial assistance, an incorrect calculation of title IV funds to be returned to the federal government was prepared by the District in fiscal year 2011, but was corrected and updated in fiscal year 2012. However, the form was “back-dated” to fiscal year 2011, and submitted for audit without disclosure that a modification to the original document was made after the student file was selected for audit.
2. For five (5) students who received \$12,395 in student financial assistance, the calculation documentation to determine the correct amount of funds to be returned to the federal government was created and/or updated in fiscal year 2012 after the student file was selected for audit. Based on the calculations performed in fiscal year 2012, the District is required to return \$2,229 for two students.

Cause

Controls are not in place at the District to ensure the integrity and reliability of samples submitted for audit.

Effect

The District is not in compliance with the Special Tests & Provisions – ‘Return of Title IV Funds’ compliance requirement of the Student Financial Assistance Cluster program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District establish controls, policies and procedures to ensure all District personnel are aware of the audit process and corrections made after the selection of samples are considered findings and should be brought to the attention of the auditor.

Related Noncompliance

Material noncompliance

Questioned Costs

\$2,229

Views of Responsible Officials

UDC management disagrees that records were “back-dated.”

The University disagrees with the assessment that records were “back-dated.” The UDC Office of Financial provided original Return of Title IV Refund (R2T4) calculations as requested. R2T4s are performed using the USED’s CPS R2T4 system making it impossible to “back-date” records. It was discovered upon the sample testing that the University did not calculate R2T4 refunds for students after the 60% refund period. The University calculated R2T4s for these students during audit testing to confirm there were no required refunds to be returned or post-withdrawal disbursements for three of the five students in question during testing on this finding.

The fourth student was a post withdrawal disbursement and the adjustment has been adjusted via the USED COD system and returned via G-5. Documentation of the COD and SIS+ screens are attached.

The fifth recipient had a R2T4 calculation performed on 11/11/2010. No Last Date of Attendance (LDA) was provided when this calculation was performed resulting in a 50% refund calculation. However, upon running a revised withdrawal report for audit testing, a LDA was added for this student resulting in the office recalculating an R2T4 refund on 3/2/2012 at 3.6%. The office has returned \$2,229 for the two students in COD and returned the funds via G-5. Documentation of the transactions are attached. There is no questioned known cost associated with this finding as the \$2,229 has been returned.

KPMG’s Response

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

<i>Finding Number</i>	2011-44
<i>Prior Year Finding Number</i>	2010-98
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	<i>P007A090836 (7/1/10-6/30/11)</i> <i>P033A090836 (7/1/10-6/30/11)</i> <i>P063P101238 (7/1/10-6/30/11)</i> <i>T08HP13254-01-00 (7/1/10-6/30/11)</i>
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests & Provisions – Enrollment Reporting (FFEL and Direct Loan)

Criteria

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

34 CFR § 682.610 Administrative and fiscal requirements for participating schools.(a) General. Each school shall—(1) Establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in the regulations in this part and in 34 CFR part 668; (2) Follow the record retention and examination provisions in this part and in 34 CFR 668.24; and (3) Submit all reports required by this part and 34 CFR part 668 to the Secretary. (b) Loan record requirements. In addition to records required by 34 CFR part 668, for each Stafford, SLS, or PLUS loan received by or on behalf of its students, a school must maintain— (1) A copy of the loan certification or data electronically submitted to the lender, that includes the amount of the loan and the period of enrollment for which the loan was intended;

34 CFR § 685.309 Administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program. (a) General. A participating school shall—(1) Establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in this part and in 34 CFR part 668; and (2) Submit all reports required by this part and 34 CFR part 668 to the Secretary. (b) Student status confirmation reports. A school shall— (1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who— (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis; (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (iii) Has changed his or her permanent address.

Condition

The District disbursed \$32,096,103 in student financial assistance in fiscal year 2011. We selected 65 students who received a total of \$250,459 in student financial assistance in fiscal year 2011.

During our testing over Enrollment Reporting we noted:

1. For twenty-two (22) students who received \$70,316 in student financial assistance, no withdrawal form was maintained.

2. For twenty-one (21) students who received \$57,309 in student financial assistance, the National Student Clearinghouse (NSC) indicated that there is no notification history for the student.
3. For seven (7) students who received \$32,449 in student financial assistance, the lenders were not notified within 30 days of the student's status change.
4. For three (3) students who received \$29,597 in student financial assistance, the student's status per the institution is 'withdrawn'; whereas the student only withdrew from one or more individual courses, but not from UDC as a whole.
5. For two (2) students who received \$12,671 in student financial assistance, the District could not provide details to support the date on which the lenders were notified.
6. For one (1) student who received \$3,150 in student financial assistance, the status change reason submitted to National Student Loan Data System for Students (NSLDS) is different than the District's documented reason.

Cause

The District does not have adequate controls in place to ensure compliance with the Special Tests & Provisions – 'Enrollment Reporting (FFEL and Direct Loan)' compliance requirement of the Student Financial Assistance Cluster program.

Effect

The District is not in compliance with the Special Tests & Provisions – 'Enrollment Reporting (FFEL and Direct Loan)' compliance requirement of the Student Financial Assistance Cluster program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District establish controls, policies and procedures that ensure compliance with the requirements of the student financial assistance program. These include ensuring: (1) proper supporting documentation is maintained, and (2) student withdrawals are reported to the NSC and lenders in a timely manner.

Related Noncompliance

Material noncompliance

Questioned Costs

\$175,895

Views of Responsible Officials

The University disagrees with the questionable costs listed in this report. We have determined the questionable costs to be \$41,211 as justified below.

For the 22 students who received \$70,316 in student financial aid as listed by KPMG is not correct. UDC shows the total aid disbursed for the 22 students as \$38,061.

The Registrar's office complied with the National Student Loan Clearing house (NSLC) by sending the enrollment report every 45 days as required. The Registrar's office is not required to notify lenders as the

NSLC electronically notifies the direct loan servicer, including Stafford and alternative lenders. Since enrollment report files are sent to NSLC every 45 days, there have been instances when lenders have not been notified within 30 days of change of status. The Registrar's office will send the Enrollment Report File to NSLC every 30 days. There is no cost associated with this finding.

The management disagrees with the finding, "for 3 students who received \$29,597 in student financial assistance, the student's status per the institution is 'withdrawn;' whereas the student only withdrew from one or more individual courses, but not from UDC as a whole." Two students had official (W) and unofficial (F) withdrawals that were reported as withdrawn on the enrollment report. The third student was reported as withdrawn/less-than-half-time as the student only completed 3 of 11 attempted credit hours. There is no cost associated with this finding.

The staff in Registrar's office received training on May 30, 2012 on the withdrawal process and the maintenance of record. Management has implemented procedures for the timely notification of withdrawals to the NSLC.

KPMG's Response

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

<i>Finding Number</i>	2011-45
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.407, 93.925)
<i>Federal Award Number</i>	<i>P007A090836 (7/1/10-6/30/11)</i> <i>P033A090836 (7/1/10-6/30/11)</i> <i>P063P101238 (7/1/10-6/30/11)</i> <i>T08HP13254-01-00 (7/1/10-6/30/11)</i>
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests & Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)

Criteria

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

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

Condition

The District disbursed \$32,096,103 in student financial assistance in fiscal year 2011.

The District could not provide evidence to support that reconciliations between the student account statement (SAS) report and the general ledger were performed and reviewed.

We tested 95 students who received a total of \$374,345 in student financial assistance in fiscal year 2011 and noted:

1. For two (2) students who received \$6,656 in student financial assistance, the District could not provide supporting documentation for the disbursement.
2. For three (3) students who received \$15,948 in student financial assistance, a signed promissory note was not provided.
3. For one (1) student who received two unsubsidized loan disbursements each semester, documentation could not be provided for a fall 2010 semester disbursement of \$995.
4. For one (1) student file reviewed, the student received a loan disbursement in the summer 2011 semester, but the student account could not be provided.
5. For four (4) students who received \$26,190 in student financial assistance, the disbursement date for the students' loans per the COD did not agree with the disbursement date per the students' accounts.
6. For four (4) students who received \$27,940 in student financial assistance, the disbursement information was not transmitted within 30 days.

Cause

The District does not have adequate controls in place to ensure compliance with Special Tests & Provisions – ‘Borrower Data Transmission and Reconciliation (Direct Loan)’ compliance requirement of the Student Financial Assistance Cluster program.

Effect

The District is not in compliance with the Special Tests & Provisions – ‘Borrower Data Transmission and Reconciliation (Direct Loan)’ compliance requirement of the Student Financial Assistance Cluster program. The condition noted results in material noncompliance and an overall adverse opinion on the program as a whole.

Recommendation

We recommend that the District establish controls, policies and procedures that ensure compliance with the requirements of the Student Financial Assistance Cluster program. These should include: (1) ensuring reconciliations are between the student account statement (SAS) report and the general ledger are performed and reviewed; (2) ensuring all supporting documentation is maintained within the student file, and; (3) disbursement data agrees to student account data is transmitted in a timely manner.

Related Noncompliance

Material noncompliance

Questioned Costs

\$60,294

Views of Responsible Officials

UDC RESPONSE:

Management disagrees with the finding, “For 2 students who received \$6,656 in student financial assistance, the University could not provide supporting documentation for the disbursement.” Attached are COD and SIS+ print screen documentation demonstrating disbursements were made within Federal regulation program requirements.

Management disagrees with the finding, “For 3 students who received \$15,948 in student financial assistance, a signed promissory note was not provided.” See attached MPNs for the three students in question.

Management disagrees with the finding, “for 1 student who received two unsubsidized loan disbursements each semester, documentation could not be provided for a fall 2010 semester disbursement of \$995.” See attached COD and SIS+ print screens documenting the disbursements in question.

Management disagrees with the finding, “for 1 student files reviewed, the student received a loan disbursement in the summer 2011 semester, but the student account could not be provided.” See attached COD and SIS+ print screens documenting the disbursements in question.

Management disagrees with the finding, “for 4 students who received \$26,190 in student financial assistance, the disbursement date for the students’ loans per the COD did not agree with the disbursement date per the students’ accounts.” See attached COD and 409 screens. The disbursements were made on or before requesting payment from COD and drawing the funds in G-5. These records were confirmed as resolved as part of the University’s monthly reconciliation process between COD and SIS+.

Management disagrees with the finding, “for 4 students who received \$27,940 in student financial assistance, the disbursement information was not transmitted within 30 days.” Please see the attached COD and SIS+ screens showing the approved COD disbursement date and payment date to the student account were within the 30 day timeframe.

KPMG’s Response

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

<i>Finding Number</i>	2011-46
<i>Prior Year Finding Number</i>	2010-08
<i>Federal Program</i>	Title I – Grants to Local Education Agencies (84.010, 84.389)
<i>Federal Award Number</i>	S010A100051A (7/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment

Criteria

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

According to 27 DCMR (Chapter 12):

27-1203.1 - The head of each office performing contracting or contract administration functions shall establish files containing the records of all contractual actions pertinent to that office's responsibility.

27-1203.4 - The contracting office file shall document the basis for the procurement and the award, the assignment of contract administration (including payment responsibilities), and any subsequent action taken by the contracting office.

Condition

During our testwork over procurement, we noted that for 9 out of 95 purchase order files tested, the District of Columbia Public Schools (DCPS) was not in compliance with the District of Columbia's Laws regarding maintenance of contract files. Specifically, we noted the following:

1. One (1) purchase order file was not provided by DCPS.
2. For three (3) contract files for purchase orders totaling \$349,000, the files did not include evidence for a subsequent modification for the purchase order nor was DCPS able to provide such information.
3. For four (4) purchase order files totaling \$104,473, the files did not include a completed Determination of Reasonable Price and Award when the file was first provided by DCPS, specifically:
 - For three (3) of the four (4) purchase order files totaling \$54,473, the Contract Specialist had not indicated how the price for the procurement was deemed reasonable. When the purchase order file was first provided by DCPS, the Contract Specialist had not indicated how the price for the procurement was deemed reasonable on the Determination. The Contracting Officer subsequently completed the Determination in the file on 1/18/2012.
 - For one (1) purchase order file for \$50,000, the Contracting Officer had not signed the Determination of Reasonable Price and Award. DCPS was unable to provide a completed Determination related to the purchase order.

Cause

DCPS failed to maintain contract files in accordance with procurement rules established by the DC law.

Effect

Non-compliance with procurement laws and regulations of the District of Columbia can lead to DCPS conducting business with unauthorized vendors or for purchases that have not been properly authorized therefore causing non-compliant federal reimbursements.

Recommendation

We recommend that DCPS strengthen their internal controls to ensure compliance with applicable District procurement laws and regulations.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DCPS concurs that there should be ongoing and consistent application of policies and procedures regarding compliance with procurement regulations. We will follow up with the team and reiterate the need to adhere to the existing controls.

<i>Finding Number</i>	2011-47
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Education Cluster (84.027, 84.173, 84.391, 84.392)
<i>Federal Award Number</i>	H027A100010 (7/1/10-9/30/11), H173A100006 (7/1/10-9/30/11), H391A090010 (7/1/09-9/30/10), H392A090006 (7/1/09-9/30/10)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	Office of State Superintendent Education (OSSE)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking

Criteria

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

Condition

During our review over the FY 2011 calculation of Maintenance of Effort – Level of Effort (MOE), we noted that while internal controls were properly designed and implemented to ensure compliance with program requirements, the internal controls in place were not operating effectively to ensure compliance with MOE program requirements. Specifically, the FY 2011 local expenditures amount used in the calculation incorrectly included FY 2012 expenditures on the Non-public Unit Administrative Expense schedule used in the calculation. We acknowledge that the Office of the State Superintendent of Education (OSSE) has a process in place to monitor MOE compliance throughout the year; however, we noted that there was an ineffective review over the year-end calculation. The amount of FY 2012 expenditures incorrectly included in the schedule was \$362,893. We recalculated the MOE using only the FY 2011 expenditures and noted that the Special Education Cluster as administered by OSSE was in compliance with the MOE requirements.

Cause

Existing controls were not operating effectively to ensure that the MOE was calculated correctly in accordance with program requirements.

Effect

Without proper internal controls in place and operating effectively to review the calculation of MOE, OSSE could not meet Level of Effort requirements.

Recommendation

We recommend that OSSE strengthen its internal controls over the review and approval of the MOE calculation to ensure it is properly calculating the MOE in compliance with Level of Effort requirements.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Office of the State Superintendent of Education (OSSE) confirms that it currently has in place appropriate internal controls for Maintenance of Effort (MOE) Compliance, and has complied with MOE requirements in accordance with the Individuals with Disabilities Education Act (IDEA) Part B requirements.

In this instance, the finding reports that \$362,893 of FY 2012 expenditures were included in the FY 2011 MOE calculation. OSSE has addressed this calculation error and deducted the FY 2012 amount from the FY 2011 calculation. Based upon this finding, OSSE has strengthened operations to enhance internal review of final calculations.

OSSE has policies and procedures in place to ensure compliance with maintaining the level of state financial support required by IDEA Part B grants program. Consistent with the IDEA law and rules, OSSE has maintained the appropriate level of local funding, by ensuring that local funds budgeted for special education and related services did not drop below the prior fiscal year's local budget, except as instituted by the IDEA and 34 C.F.R. §300.204.

OSSE calculated MOE expenditures by following its own established policies. While a calculation error occurred as described above, OSSE's updated internal controls will ensure correction during future quality review processes.

Further, OSSE has substantively maintained compliance with MOE. Therefore, OSSE disagrees with the described "effect" reported in the Finding because a calculation error is separate and distinct from substantive compliance with MOE requirements.

The complete revised FY 2011 MOE calculation and related documentation have been submitted by OSSE.

Finding Number 2011-48
Prior Year Finding Number 2010-45
Federal Program Special Education Cluster (84.027, 84.173, 84.391, 84.392)
Federal Award Number SG027A (7/1/2010 – 9/30/2012), SG173A (7/1/2010 – 9/30/2012),
RA391 (7/1/2009 – 9/30/2011), RA392 (7/1/2009 – 9/30/2011)
Federal Agency U.S. Department of Education (including ARRA expenditures)
District Department Office of the State Superintendent of Education (OSSE)
Compliance Requirement Subrecipient Monitoring

Criteria

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

7 CFR 3052.400 (d) (5)

(d) Pass-through entity responsibilities. A Pass-through entity shall issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition

During FY 2011, the Office of the State Superintendent of Education (OSSE) passed \$15,333,016 of Program funds through to subrecipients. We selected a sample of eight (8) subrecipients that received \$1,885,328 of pass-through funds from OSSE for testwork. During our subrecipient monitoring testwork, OSSE did not maintain support evidencing the date the audit report was received from subrecipients for eight (8) sample items selected for testwork. Therefore, we did not determine if management issued decisions on audit findings within six months of receipt of the report.

Cause

Controls are not operating effectively to ensure that adequate documentation is available for Special Education Cluster to ensure compliance with Subrecipient Monitoring compliance requirements.

Effect

Without adequate internal controls to ensure sufficient documentation is maintained, OSSE could not validate their management decisions on subrecipient audit findings within six months.

Recommendation

We recommend that OSSE strengthen internal controls over obtaining and maintaining the date audit reports are received by Special Education from subrecipients to ensure compliance with Subrecipient Monitoring compliance requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

OSSE has policies and procedures in place to collect and review subrecipient A133 reports. OSSE conducts the following activities to ensure compliance with the pass-through entity responsibilities outlined in 7 CFR 3052.400(d)(5):

1. Subrecipients must sign an assurance in the IDEA Part B Phase I application requesting them to conduct an A133 audit and submit the audit report within 30 days of the issuance date to OSSE.
2. The Grant Award Notice (GAN) issued to subrecipients outlines the above requirement under Terms and Conditions of the award.
3. Upon collecting subrecipient A133 audit reports, OSSE has a process in place to review them and to issue management determination letters.

Despite the above mentioned activity, OSSE has had challenges receiving A133 audit reports from Public Charter Schools. Therefore, OSSE has requested them from the Public Charter School Board (PCSB), which had them available on its website. OSSE agrees that it failed to maintain evidence of the date it obtained A133 audit reports for Public Charter Schools, consequently not being able to prove that it issued management decision letters within six months after receipt of the subrecipient's audit report.

<i>Finding Number</i>	2011-49
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Vocational Rehabilitation Program (84.126, 84.390)
<i>Federal Award Number</i>	H126A11011-11F (10/01/10-9/30/11) H126A100011C (10/01/09-9/30/10)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed and Unallowed, Allowable Costs / Cost Principles

Criteria

OMB Circular A-87 requires recipients of Federal awards to maintain effective controls over the recording and claiming for reimbursement of costs related to a Federal program, and that the accounting treatment applied to those costs is consistently applied among the various Federal programs.

Additionally, OMB Circular A-87, B8 (h) requires that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers be supported by personnel activity reports or equivalent documentation that meets the standards outlined in B8 (h) (5) of OMB Circular A-87 unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support is required in a variety of circumstances such as when employees are assigned to work on multiple Federal award programs. When an employee is assigned to work solely on one Federal program or cost objective, certifications must be prepared at least semiannually certifying to this fact and must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

OMB A-87, Attachment B, Section 8, Compensation for Personnel Services noted severance pay should follow the following criteria:

- (1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer employee agreement, or (c) established written policy.
- (2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.
- (3) Abnormal or mass severance pay will be considered on a case by case basis and is allowable only if approved by the cognizant Federal agency.

Condition

For one (1) out of 65 direct payroll transactions sampled, an employee received severance pay in the amount of \$2,406 charged directly to Vocational Rehabilitation program (VR) grant funds. The employee retired with an effective date of 10/1/2010 and severance payment of \$2,406 was paid to the individual in March 2011. We noted the employee was not noted in the certifications of payroll prepared by the VR program evidencing the individual did not contribute 100% to the VR program for the 2011 fiscal year and should not have been treated as a direct payroll cost. According to the OMB A-87 guidance, a severance payment should be an indirect cost. A total of \$74,248 in severance payments was incorrectly charged through direct payroll in FY 2011 grant expenditures.

Cause

The VR program does not have policies and procedures in place to ensure events resulting in changes to personnel compensation costs (i.e. retirement, severance, etc) are classified appropriately.

Effect

The District is not compliance with the Activities Allowed and Unallowed, Allowable Costs / Cost Principles compliance requirements.

Recommendation

We recommend that the District institute policies and procedures to ensure changes with VR personnel costs are classified appropriately.

Related Noncompliance

Noncompliance

Questioned Costs

\$2,406

Views of Responsible Officials

The Agency does concur that severance pay for one individual was paid against the FY 2011 VR Grant Award. However, the Agency does not concur with the finding that the payment was unallowable under Circular A-87. According to the Circular, payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable, indicating that severance is allowable. To the extent that the Circular states that severance payments shall be allocated as an indirect cost, the VR grant earns indirect cost; therefore, reallocating the expenditures from direct cost to indirect cost would not have negated the payment from being reported as a part of the expenditures for the grant award. As a result, the severance payment may be misclassified but an allowable expenditure.

KPMG's Response

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

<i>Finding Number</i>	2011-50
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Vocational Rehabilitation Program (84.126, 84.390)
<i>Federal Award Number</i>	H126A11011-11F (10/01/10-9/30/11) H126A100011C (10/01/09-9/30/10)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Eligibility

Criteria

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

Per 34 CFR 361.42, In order to determine whether an individual is eligible for vocational rehabilitation services and the individual's priority under an order of selection for services (if the State is operating under an order of selection), the designated State unit must conduct an assessment for determining eligibility and priority for services. The assessment must be conducted in the most integrated setting possible, consistent with the individual's needs and informed choice, and in accordance with the following provisions:

(a) Eligibility requirements-

(1) Basic requirements. The designated State unit's determination of an applicant's eligibility for vocational rehabilitation services must be based only on the following requirements:

- (i)*** A determination by qualified personnel that the applicant has a physical or mental impairment.
- (ii)*** A determination by qualified personnel that the applicant's physical or mental impairment constitutes or results in a substantial impediment to employment for the applicant.
- (iii)*** A determination by a qualified vocational rehabilitation counselor employed by the designated State unit that the applicant requires vocational rehabilitation services to prepare for, secure, retain, or regain employment consistent with the applicant's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.
- (iv)*** A presumption, in accordance with paragraph (a)(2) of this section, that the applicant can benefit in terms of an employment outcome from the provision of vocational rehabilitation services.

(2) Presumption of benefit. The designated State unit must presume that an applicant who meets the eligibility requirements in paragraphs (a)(1)(i) and (ii) of this section can benefit in terms of an employment outcome unless it demonstrates, based on clear and convincing evidence, that the applicant is incapable of benefiting in terms of an employment outcome from vocational rehabilitation services due to the severity of the applicant's disability.

(3) Presumption of eligibility for Social Security recipients and beneficiaries.

- (i)*** Any applicant who has been determined eligible for Social Security benefits under Title II or Title XVI of the Social Security Act is—
 - (A)*** Presumed eligible for vocational rehabilitation services under paragraphs (a)(1) and (2) of this section; and
 - (B)*** Considered an individual with a significant disability as defined in §361.5(b)(31).

According to 29 USC Section 722 (a) (1), Eligibility and individualized plan for employment, an individual is eligible for 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.

The 29 USC Section 722 (a)(6) code also states that the VR agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless:

- (a) Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time;
- (b) The State VR agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work 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.

In addition, according to 116 STAT 2350 §2 (d)(2)(B), an "improper payment" includes any payment to an ineligible recipient.

Condition

During internal control testwork, management did not have adequate controls in place over Eligibility requirements. Specifically, there is no management oversight of the eligibility determination performed by the Vocational Rehabilitation (VR) Specialist.

We noted that allowability standards require the beneficiary to be eligible as a component of allowability. Therefore, during our test of compliance, we tested 65 participants, representing an allowability sample of \$45,597 out of a population of \$5,576,054 and identified the following:

1. For ten (10) out of 65 items tested, representing federal funds in the amount of \$7,340, an application signed by the applicant was not provided.
2. For six (6) out of 65 items tested, representing federal funds in the amount of \$6,306, medical documentation supporting the eligibility determination could not be provided.
3. For two (2) out of 65 items tested, representing federal funds in the amount of \$1,550, the certification of eligibility signed by the VR counselor could not be provided.
4. For six (6) out of 65 items tested, representing federal funds in the amount of \$3,345, the certification of eligibility was not signed by the VR counselor.
5. For ten (10) out of 65 items tested, representing federal funds in the amount of \$8,276, determination of eligibility was not made within 60 days and the applicant was not provided request for extension.
6. For thirteen (13) out of 65 items tested, representing federal funds in the amount of \$10,155, management did not maintain adequate documentation to prove that the determination of eligibility was made within 60 days.
7. For two (2) out of 65 items tested, representing federal funds in the amount of \$940, payment was provided to an individual when no application, Certification of Eligibility, or medical supporting documentation was maintained on file.
8. For eight (8) out of 65 items tested, representing federal funds in the amount of \$4,285, management did not maintain adequate documentation of a signed certificate of eligibility in the individual's file to prove that benefits paid to or on behalf of the individual were calculated correctly and in compliance with the requirements of the program.
9. For one (1) out of 65 items tested, representing federal funds in the amount of \$950, an individual was paid a lump sum payment covering three months, but RSA records show individual determined

the individual met employment goal and no longer would receiving payments for two of the months paid in advance.

10. For one (1) out of 65 items tested, representing federal funds in the amount of \$1,000, management failed to meet the required GPA noted in the IPE, yet the individual continued to receive services.
11. For one (1) out of 65 items tested, the individual received benefit payments after a “successful closure” occurred on 6/29/2010.

We noted for the items discussed above, payments totaling \$20,576 were made in FY 2011 to ineligible participants.

Cause

The VR program has not developed sufficient policies and procedures to ensure compliance with Eligibility requirements.

Effect

The VR program is not compliant with Eligibility requirements.

In addition, the program is providing benefits to participants that are not eligible; therefore, all costs related to those participants are not allowable under the USC 29 Section 722.

Recommendation

We recommend that the District implement a monitoring control to ensure that segregation of duties are provided between performance and review of Eligibility determinations.

In addition, we recommend the District establish additional policies and procedures to ensure appropriate documentation is retained to support eligibility determinations.

Related Noncompliance

Material noncompliance

Questioned Costs

\$20,576

Views of Responsible Officials

Management does not concur with the facts of this finding.

Exception:

For ten (10) out of 65 items tested, the certification of eligibility was not made within 60 days and the applicant was not provided a request for extension.

Response:

The timeliness of eligibility and the request for an extension do not disqualify the eligibility determination itself. These internal processes are used to ensure that consumers are promptly made eligible – or not – and then served. Therefore, although the eligibility determination on these ten cases were not completed timely (within 60 days), they were still valid eligibility determinations: the clients still met the “3 part

test” to determine eligibility and were eligible to receive vocational rehabilitation services. Therefore, RSA should not have to pay back the services provided to the total amount of \$5,565.

Exception:

For one (1) case out of 65 items tested, received payment in FY 2011 but RSA files show no services provided to client.

Response:

RSA has three clients with the same name and we submitted one of the cases for audit without giving the client’s Social Security Number and therefore we submitted the wrong case. The client’s name is D. Smith and the actual case for audit had his case opened on 11/20/2009. Mr. Smith was determined eligible on 3/2/2010 by counselor, Zarifa Roberson. There was an IPE and authorization for the \$300 transportation service and the payment was made on 2/1/2011 prior to case closure on 2/24/2011. Although the eligibility determination on this case was completed beyond 60 days from the date of application, the eligibility is valid and therefore the client was entitled to receive the service. RSA does not need to return the \$300 for the transportation service.

Exception:

For one (1) out of 65 items tested, the individual received benefit payments after a “successful closure” occurred on 6/29/2010.

Response:

Client, W. V. has three VR cases at the time of this audit. Her second case was closed successfully on 6/29/2010 and it was re-opened on 10/15/2010 for the third time, therefore she was entitled to receive benefit on 2/25/2011 for the amount of \$387.90.

Correction Plan:

1. **Utilize performance management dashboards to improve eligibility timeliness.** In prior years, RSA has chosen to utilize staff training as a primary course of action to correct audit findings. The results have not been adequate. This year, RSA is implementing a performance management system that relies on dashboards to drive timely eligibility determinations. The dashboards will be in almost real-time, and supervisors and counselors will have consistent feedback on timely determinations of eligibility (and other program targets).
2. **Increase the time supervisors and Quality Assurance (QA) Team staff spend reviewing eligibility determinations.** The dashboards will reduce the administrative burden of routine management tasks and allow supervisors and QA team staff more time to review eligibility determinations on an ongoing basis.
3. **Utilize targeted training to staff to remediate specific eligibility concerns.** When QA staff find, through their due diligence reviews, the patterns of needed remediation, targeted training will then be provided to remediate specific needs of specific supervisors and counselors.
4. **Increase accountability of both supervision and line staff to meet quality targets.** RSA will clarify decision rules for eligibility determinations and will train staff on the business processes for eligibility determinations and on due diligence procedures.
5. **Use technology to increase the amount of the customer’s official record that is captured in System 7 instead of relying on paper files.** RSA will implement auto signature pads to ensure counselors and clients sign required documents throughout the vocational rehabilitation process.

RSA will also sort and scan documents much more frequently in a more technology-based system, allowing staff to more quickly correct errors in file assembly.

KPMG's Response

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

<i>Finding Number</i>	2011-51
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Vocational Rehabilitation Program (84.126, 84.390)
<i>Federal Award Number</i>	H126A11011-11F (10/01/10-9/30/11) H126A100011C (10/01/09-9/30/10)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking

Criteria

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

Per 29 USC Section 705 (14), federal share: in general, subject to subparagraph (B), the term "Federal share" means 78.7 percent.

Also, 29 USC Section 731 (a) (1), except as provided in paragraph (2), from each State's allotment under this part for any fiscal year, the Commissioner shall pay to a State an amount equal to the Federal share of the cost of vocational rehabilitation services under the plan for that State approved under section 721 of this title, including expenditures for the administration of the State plan.

For the Vocational Rehabilitation (VR) program, non-federal expenditures are subject to maintenance of effort requirements. Per 34 CFR Section 361.62, "(a) General requirements. (1) The Secretary reduces the amount otherwise payable to a State for a fiscal year by the amount by which the total expenditures from non-Federal sources under the State plan for the previous fiscal year were less than the total of those expenditures for the fiscal year 2 years prior to the previous fiscal year.

Example: For fiscal year 2001, a State's maintenance of effort level is based on the amount of its expenditures from non-Federal sources for fiscal year 1999. Thus, if the State's non-Federal expenditures in 2001 are less than they were in 1999, the State has a maintenance of effort deficit, and the Secretary reduces the State's allotment in 2002 by the amount of that deficit.

(2) If, at the time the Secretary makes a determination that a State has failed to meet its maintenance of effort requirements, it is too late for the Secretary to make a reduction in accordance with paragraph (a)(1) of this section, then the Secretary recovers the amount of the maintenance of effort deficit through audit disallowance."

Condition

During internal control testwork, management did not have adequate controls in place over Matching and Maintenance of Effort (MOE) requirements. Specifically, there was no documentation evidencing review of the Matching and MOE calculations.

In addition, the MOE requirement was not met. We noted the VR program had \$7,471,713 of non-federal expenditures in FY 2011. These expenditures were \$641,231 less than FY 2009 expenditures of \$8,112,945, resulting in a MOE short-fall for FY 2011.

Cause

The VR program has not developed sufficient policies and procedures to ensure compliance with the Matching and Maintenance of Effort requirements.

Also, the VR program does not have policies or procedures to ensure that adequate segregation of duties are provided between performance, review and record-keeping of Matching and MOE information.

Effect

The District is not compliant with the Maintenance of Effort requirements of 34 CFR Section 361.62 as applicable to the VR program.

Recommendation

We recommend that the VR program implement a monitoring control to ensure that segregation of duties are provided between performance, review and record-keeping of Matching and MOE information.

Also, we recommend the VR program establish policies and procedures to ensure that Maintenance of Effort requirements are met.

Related Noncompliance

Material noncompliance

Questioned Costs

\$641,231

Views of Responsible Officials

The Agency does concur that the Maintenance of Effort (MOE) was not met but does not concur with the finding related to the Match requirement. The Match requirement as outlined in OMB Circular was met. In addition, the Agency does not concur with the condition and cause as explained in the NFR. The OCFO and the VR Program are aware of the Match and MOE requirements. As such, during budget formulation for each fiscal year, the amounts of local funds needed to meet those requirements are requested. During the FY 2011 budget formulation, a policy decision was made to reduce the VR local budget by \$2M. To replenish the loss in local funding, the Agency was to pursue cooperative agreements with other District Agencies and/or request a waiver from the U.S. Department of Education. The Agency was able to replenish \$1.5M of the local funds through other initiatives; thus the shortfall of only \$641,231. The Agency is in the process of requesting a waiver for the remaining MOE deficit.

<i>Finding Number</i>	2011-52
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Vocational Rehabilitation Program (84.126, 84.390)
<i>Federal Award Number</i>	<i>H126A11011-11F (10/01/10-9/30/11)</i> <i>H126A100011C (10/01/09-9/30/10)</i>
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting

Criteria

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

Per 34 CFR 361.40(a) The State plan must assure that the designated State agency will submit reports, including reports required under sections 13, 14, and 101 (a)(10) of the Act ---

(1) In the form and level of detail and at the time required by the Secretary regarding applicants for and eligible individuals receiving services under this part; and

(2) In a manner that provides a complete count (other than the information obtained through sampling consistent with section 101 (a)(10)(E) of the Act) of the applicants and eligible individuals to

(i) Permit the greatest possible cross-classification of data; and

(ii) Protect the confidentiality of the identity of each individual.

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

In addition, 2 CFR 176.50 states the reporting and registration requirements under section 1512 of the Recovery Act. Agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner. The following award term shall be used by agencies to implement the recipient reporting and registration requirements in section 1512:

(a) This award requires the recipient to complete projects or activities which are funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and to report on use of Recovery Act funds provided through this award. Information from these reports will be made available to the public.

(b) The reports are due no later than ten calendar days after each calendar quarter in which the recipient receives the assistance award funded in whole or in part by the Recovery Act.

(c) Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (<http://www.ccr.gov>) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the Central Contractor Registration.

(d) The recipient shall report the information described in section 1512(c) of the Recovery Act using the reporting instructions and data elements that will be provided online at <http://www.FederalReporting.gov>

to ensure that any information that is pre-filled is corrected or updated as needed.

Condition

During internal control testwork, management did not have adequate controls in place over reporting requirements. Specifically, there is no management oversight of the ARRA 1512 and RSA-2 Reports prepared by the District. In addition, the District failed to file the required information for ARRA 1512 reporting for Quarters 2 and 3 during FY 2011.

Cause

The District has not developed sufficient policies and procedures to ensure compliance with the Reporting compliance requirement of the VR program.

Effect

The VR program is not compliant with the Reporting requirements of 34 CFR Section 361.40. Also, the VR program was not compliant with ARRA 1512 reporting requirements of 2 CFR 176.50.

Recommendation

We recommend that the District establish an effective system of internal control to ensure compliance with the Reporting requirement and to ensure the required reports are completed.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

RSA-2

The Agency does not concur with this finding. The Department on Disability Services (DDS) Rehabilitation Services Administration in Washington D.C. submits the Annual Vocational Rehabilitation Program/Cost Report (RSA-2) electronically. As an RSA grantee, DDS has obtained a MIS user ID and password to enter data and submit the Annual RSA-2 report. MIS requires that "The grantee's 'Authorizing Official' (for example, it is the State VR Agency Director for the Title I program) should complete and submit information on the 'Request MIS Access' screens for each individual in the agency for which access is required/desired, stipulating the extent of the access." DDS has completed this form. The VR state Director for the District of Columbia, Roy Albert, appointed DDS employee Samuel Conyers access to enter approved data and information on behalf of the state agency DDS. The certification at the end of the annual RSA-2 report is completed by Samuel Conyers. He is the Agency's point of contact for the report and is certifying the report is complete and correct on behalf of the Agency's authorizing official. MIS does not have an electronic section requiring the authorizing official to complete directly.

DDS has various levels of internal controls established for the approval of data entered on the RSA-2 report. Programmatic data including the number of clients in service categories is extracted from DDS System 7 and approved by the VR program Manager. The fiscal data is extracted from the District of Columbia Accounting and Reporting system (SOAR) and approved by the Agency Fiscal Officer. The RSA-2 report is compiled and reconciled by agency employees and approved by the VR Manager and Agency Fiscal Officer.

ARRA 1512

Both the 7th & 8th quarters (2nd and 3rd) fiscal year ARRA reports were initially file timely to the Department of Education, but subsequently rejected for technical reasons (an inaccurate DUNS number for one of the vendors).

DDSIRSA contacted the Office of the Chief Technical Officer (OCTO) in an attempt to have the correct DUNS number inserted in the report. This action would have allowed the ARRA 1512 reports to be acceptable by the Department of Education, but were unable to have this task completed. Consequently, the reports were never resubmitted

DDSIRSA did submit timely 1st and 4th quarter reports and have implemented procedures and policies to prevent this issue from reoccurring again in the future.

KPMG's Response

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

<i>Finding Number</i>	2011-53
<i>Prior Year Finding Number</i>	2010-47
<i>Federal Program</i>	Improving Teacher Quality State Grants (84.367)
<i>Federal Award Number</i>	S367A100008A (7/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Education
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Activities Allowed and Unallowed, Allowable Costs/Cost Principles

Criteria

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

According to OMB A-87 *Cost Principles for State, Local and Indian Tribe Governments*, an employee who works solely on a single cost objective (i.e., the consolidated administrative cost objective) must furnish a semi-annual certification that he/she has been engaged solely in activities. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3) and 2) An employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraphs 8.h.(4), (5), and (6) documenting the portion of time and effort dedicated to: (a) The single cost objective, and (b) Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

Condition

During our Title II payroll expenditure testwork, we selected a sample of 95 payroll expenditures for FY 2011 totaling \$4,425,843. For 4 of the 95 items tested totaling \$10,499, DCPS was unable to provide a payroll time and effort certification for the employees at the time of selection by us. DCPS did, however, subsequently perform an after-the-fact certification for the 4 missing employees on 4/9/2012.

Cause

DCPS program management did not follow established policies and procedures with regard to employee time and effort certification and ensure that adequate documentation of time and effort certifications for Title II teachers/staff were properly maintained in accordance with OMB Circular A-87.

Effect

Without adhering to existing internal controls to ensure sufficient documentation was maintained, DCPS could not validate employee's time and was therefore not compliant with the payroll allowability compliance requirement for Title II.

Recommendation

We recommend that DCPS strengthen internal controls over obtaining and maintaining the time and effort certifications for Title II program employees to ensure compliance with allowability compliance requirements.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DCPS acknowledges that time and effort certifications for four out of the ninety-five payroll expenditures test items were not readily available at the time of the sample but were subsequently provided for audit review. Internal controls have been reviewed and strengthened to ensure that time and effort certifications for all Title II program employees are obtained and maintained consistently.

<i>Finding Number</i>	2011-54
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Improving Teacher Quality State Grants (84.367)
<i>Federal Award Number</i>	S367A100008A (7/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Education
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment

Criteria

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

According to 27 DCMR (Chapter 12):

27-1203.1 - The head of each office performing contracting or contract administration functions shall establish files containing the records of all contractual actions pertinent to that office's responsibility.

27-1203.4 - The contracting office file shall document the basis for the procurement and the award, the assignment of contract administration (including payment responsibilities), and any subsequent action taken by the contracting office.

Condition

During our testwork over procurement, we noted that for 6 out of 95 purchase order files tested, the District of Columbia Public Schools (DCPS) was not in compliance with the District of Columbia's Laws regarding maintenance of contract files. Specifically we noted the following:

1. For two (2) purchase order files totaling \$1,276,006, the contract file did not contain evidence of appropriate competitive vendor selection. DCPS could not substantiate and prove that the vendor was selected in accordance with Title 27 DCMR Rules for Contracts and Procurements.
2. For one (1) purchase order file in the amount of \$680,420, we noted that the contract file did not contain evidence of the Determination to Exercise Contract Option for FY 2011.
3. For three (3) purchase order files totaling \$1,263,684, the files did not include a completed Determination of Reasonable Price and Award when the file was first provided by DCPS, specifically:
 - a. For one (1) of the three (3) purchase order files in the amount of \$894,809, the Contract Specialist had not indicated how the price for the procurement was deemed reasonable. When the purchase order file was first provided by DCPS, we noted that the Contract Specialist had not indicated how the price for the procurement was deemed reasonable on the Determination. The Contracting Officer subsequently completed the Determination in the file on 1/19/12.
 - b. For one (1) of the three (3) purchase order files in the amount of \$7,485, we noted that the Determination of Reasonable Price and Award as well as the Determination for Sole Source Procurement was completed by the Contracting Officer on 1/23/12, the day the file was provided by DCPS, but subsequent to year end.

4. For one (1) of the three (3) purchase order files in the amount of \$361,390, the Contracting Officer had not signed the Determination of Reasonable Price and Award. DCPS was unable to provide a completed Determination related to the purchase order.

Cause

DCPS failed to maintain contract files in accordance with procurement rules established by the DC law.

Effect

Non-compliance with procurement laws and regulations of the District of Columbia can lead to DCPS conducting business with unauthorized vendors or for purchases that have not been properly authorized therefore causing non-compliant federal reimbursements.

Recommendation

We recommend that DCPS strengthen their internal controls to ensure compliance with applicable District procurement laws and regulations.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DCPS concurs that there should be ongoing and consistent application of policies and procedures regarding compliance with procurement regulations. We will follow up with the team and reiterate the need to adhere to the existing controls.

<i>Finding Number</i>	2011-55
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Improving Teacher Quality State Grants (84.367)
<i>Federal Award Number</i>	S367A100008A (7/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Education
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Special Tests & Provisions – Assessment of Need

Criteria

Per the *Elementary and Secondary Education Act part 2122 (b)(8)*, the *Title II Assessment of Need Requirements* state that: (1) IN GENERAL- To be eligible to receive a sub-grant under this subpart, a local educational agency shall conduct an assessment of local needs for professional development and hiring, as identified by the local educational agency and school staff. (2) REQUIREMENTS- Such needs assessment shall be conducted with the involvement of teachers, including teachers participating in programs under part A of Title II, and shall take into account the activities that need to be conducted in order to give teachers the means, including subject matter knowledge and teaching skills, and to give principals the instructional leadership skills to help teachers, to provide students with the opportunity to meet challenging State and local student academic achievement standards. (ESEA 2122 (b)(8))

Condition

Every school within the District of Columbia (private, public, and charter) that is receiving Title II funding is required to prepare and maintain an Assessment of Need with the District. The Assessment of Need outlines the school’s need for professional development and hiring as identified by the school and the school’s staff. The Assessment of Need must be conducted and prepared with the assistance of teachers.

In conducting our testwork over this Title II requirement, we noted that the District of Columbia Public Schools (DCPS) did not maintain documentation indicating teacher involvement in the needs assessment process as required in the Title II program requirements for 2 of 8 District schools sampled.

Cause

DCPS program management did not follow established policies and procedures with regard to the review of Assessment of Need Forms completed by individual District schools.

Effect

The District is not compliant with the Special Tests & Provisions – ‘Assessment of Need’ compliance requirement for the Title II – Improving Teacher Quality program.

Recommendation

We recommend that the DCPS:

- Ensure that each District school follows the established Title II requirements for the applicable schools’ assessment of need.
- Verify each school’s compliance with the Title II requirements through ensuring that each Needs Assessment has adequate documentation of the participation of teachers.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS acknowledges that the preparation of the Title II Needs Assessment was not adequately documented for two of the eight in the audit test sample schools, such that evidence indicating the involvement of participating teachers was not available. Internal controls have been reviewed and strengthened to ensure that each school follows the established Title II requirements for assessment of need and maintains adequate documentation of the participation of teachers for said assessment consistently to ensure each school's compliance with Title II requirements.

<i>Finding Number</i>	2011-56
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	State Fiscal Stabilization Fund – Race to the Top (84.395)
<i>Federal Award Number</i>	S395A100048 (9/24/2010 – 9/23/2014)
<i>Federal Agency</i>	U.S. Department of Education (including ARRA expenditures)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Reporting

Criteria

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

Condition

During our review over the FY 2011 American Recovery and Reinvestment Act (ARRA) 1512 Reporting, we noted that internal controls in place were not operating effectively to ensure compliance with program reporting requirements. Specifically, we noted that the quarter ended 9/30/2011 expenditure report used to reconcile to the ARRA 1512 report prior to submission included seven (7) expenditures totaling \$404,672 that were not properly reviewed and approved during the reconciliation. However, we did note that the proper total of expenditures was reported for the quarter ended 9/30/2011 and that the expenditures were reviewed and approved in the subsequent quarter and were valid expenditures for the Race to the Top program as administered by the Office of the State Superintendent of Education (OSSE), therefore there was no non-compliance.

Cause

Existing controls were not operating effectively to ensure that the expenditures reported for ARRA 1512 were reviewed and approved for the Race to the Top program. The spreadsheet used to calculate the expenditures included several rows which were hidden and not caught by management review, and consequently these expenditures were not reviewed and approved during one phase of the review process.

Effect

Without proper internal controls in place and operating effectively to review and approve expenditure reports, OSSE could be noncompliant with ARRA 1512 reporting requirements.

Recommendation

We recommend that OSSE strengthen its internal controls over the review and approval of the expenditure report prior to submitting reporting requirements to ensure all expenditures for the program are reviewed, approved and in compliance with program requirements.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

There are several layers of internal review and quality control that Program Managers and OSSE, the agency, must follow before OSSE's ARRA 1512 Report is considered approvable and uploaded to federalreporting.gov. Duplicative steps have been created in the system to prevent false reporting. The expenditure report referred to above is one added layer that is used to allow Program Managers to reconcile internal records against OCFO reports after expenditures have first been properly reviewed and approved in the Payment Tracking System (PTS). The expenditure report is designed to be a reconciliation tool that when discrepancies are identified, they are corrected during an allowable correction period (which spans two months) before the final quarterly report is submitted. Additionally, the Federal reporting agency has deemed it allowable to further reconcile items the following quarter. All expenditures were reported correctly for the quarter ended 9/30/2011 with no harm to federal interest. As another internal control OSSE, every quarter, pulls expenditures for the entire award period with each Program Manager reviewing previous and current quarter expenditures. It should also be noted that reporting is cumulative; therefore if there is ever an error in reporting, it can be corrected in the next period.

<i>Finding Number</i>	2011-57
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (93.558, 93.714)
<i>Federal Award Number</i>	G-1102DCTANF G-1002DCTANF G-1001DCTAN2 G-0902DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Activities Allowed and Unallowed, Allowable Costs/Cost Principles

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity’s internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...”

The Office of Management and Budget (OMB) Circular A-87 – Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Paragraph 8.h.(3) states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.”

Condition

During internal controls test work over payroll expenditures we noted that DHS did not complete the semi-annual OMB Circular A-87 certification for employees who charge 100% of their time to the TANF grant. DHS provided all of the certifications, but we noted that they were dated February 2012.

Cause

DHS did not consistently adhere to its existing policies and procedures for documentation of time and effort certifications for TANF employees in accordance with OMB Circular A-87.

Effect

DHS did not complete the OMB Circular A-87 certifications in a timely manner.

Recommendation

We recommend that the District implement and enforce internal controls around the time certification process for TANF program employees in order to ensure that DHS adheres to the time and effort certification requirements in OMB Circular A-87.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DHS agrees with the recommendations. DHS will in the future timely complete the A-87 semi-annual time certification.

<i>Finding Number</i>	2011-58
<i>Prior Year Finding Number</i>	2010-50
<i>Federal Program</i>	Temporary Assistance for Needy Families (93.558, 93.714)
<i>Federal Award Number</i>	G-1102DCTANF G-1002DCTANF G-1001DCTAN2 G-0902DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Eligibility

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity’s internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...”

Per the Economic Security Administration (ESA) Policy Manual, Section 1.3, “All eligibility criteria and clarifying information are documented on the Record of Case Action, form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case be reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipients, the record should include the dates pay is received and how often the recipient is paid. When the recipient’s statement is the best available source, the record should include the application / recipient’s and agency efforts to verify the information. All address changes should be documented.”

Condition

We noted during testwork performed over a sample of 95 beneficiaries:

1. For one beneficiary, the Economic Security Administration (ESA) did not scan and retain the recertification form in the Automated Client Eligibility Determination System (ACEDS) which supported the beneficiary’s eligibility determination for 2011. This resulted in questioned costs of \$270.
2. We identified one beneficiary that recertified in November 2011, but was required to recertify in February 2011. The beneficiary continued to receive benefits during that period. The Economic

Security Administration sent a request for recertification to the beneficiary in June 2011. This resulted in questioned costs of \$336.

Cause

The District did not consistently adhere to its document retention policies and procedures for participant eligibility.

Effect

Ineligible TANF beneficiaries may receive benefits under the TANF grant.

Recommendation

We recommend that the District implement policies and procedures to improve document management within the eligibility determination process. We noted that the District is in the process of scanning all beneficiary files into the Digital Information Management System (DIMS) in order to make the files management system electronic.

Related Noncompliance

Noncompliance

Questioned Costs

\$606

Views of Responsible Officials

While DHS continues to move forward in managing customer records with the implementation of the Document Imaging Management System (DIMS), the agency realizes that the volume of cases and documents has been so enormous that the current equipment and staffing resources have not been sufficient to adequately process all necessary documents. Therefore, DHS is assessing its budgetary status to explore increasing equipment and personnel resources to properly administer the document management process.

<i>Finding Number</i>	2011-59
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (93.558, 93.714)
<i>Federal Award Numbers</i>	G-1102DCTANF G-1002DCTANF G-1001DCTAN2 G-0902DCTANF G-0901DCTAN2
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Reporting

Criteria

Per the March 2011 OMB Compliance Supplement Section IV for Temporary Assistance for Needy Families (TANF).” For ACF-196, TANF Financial Report (OMB No. 0970-0247) – States are required to submit this report quarterly in lieu of the SF-269, Financial Status Report/ SF-425, Federal Financial Report (financial status). Each State files quarterly expenditure data on the State’s use of Federal TANF funds, State TANF MOE expenditures, and State expenditures of MOE funds in separate State programs. If a State is expending Federal TANF funds received in prior fiscal years, it must file a separate quarterly TANF Financial Report for each fiscal year that provides information on the expenditures of that year’s TANF funds. This form must be used for reporting both regular TANF grant funds and ARRA-Emergency Fund for TANF State Programs funds.

ACF-204, Annual Report including the Annual Report on State Maintenance-of-Effort Programs (OMB No. 0970-0248) – Each State must file an annual report containing information on the TANF program and the State’s MOE program(s) for that year, including strategies to implement the Family Violence Option, State diversion programs, and other program characteristics. Each State must complete the ACF-204 for each program for which the State has claimed basic MOE expenditures for the fiscal year. States may submit this report as a freestanding report or as an addendum to the fourth quarter TANF Data Report.

Temporary Assistance for Needy Families (TANF) ACF-199, *TANF Data Report (OMB No. 0970-0309)*. One of the critical areas of this reporting is the work participation data, which serve as the basis for ACF to determine whether States and Tribes have met the required work participation rates. A penalty may apply for failure to meet the required rates (42 USC 609(a)(4); 45 CFR Section 262.1(1)(4)).

Condition

A discrepancy was identified in the amount of \$556,805 in the State Funds Expenditures line between the Q4 FY 2011 ACF-204 and the ACF-196 reports. This discrepancy was not detected and corrected during the supervisory review. The error was in the ACF-204 report.

Additionally, when reviewing the internal control over the interface between Automated Client Eligibility Determination System (ACEDS) and Q5i (the system which houses and transmits the ACF-199 *Work Participation* information to the federal government) we noted that for one file out of a sample of 95 files, the Department of Human Services (DHS) did not produce evidence during the period under audit that it completed the review form for the review of the ACEDS to Q5i interface. We also noted that for one other file an error was found by the Economic Security Administration (ESA) as a result of the reconciliation; however the error was not resolved in a timely manner. We further noted that for 2 files,

DHS did not complete the review of information between the ACEDS and Q5i systems until several months after the reports were submitted to the federal government.

Cause

The District did not adequately review the FY 2011 ACF-204 and ACF-196 reports to ensure that the submitted reports were complete and accurate.

The District did not review information that was included in their ACF-199 submissions to the Federal government in a timely and complete manner.

Effect

The ACF-204 and ACF-196 reports were submitted to the federal government with an error. The total MOE expenditures reported on Line 7 per the ACF-204 did not equal the total expenditures on the ACF-196.

The lack of timely and complete review caused the District to submit an ACF-199 containing errors to the Federal government. The errors are related to work participation rates and so are not dollar-value errors. As stated in the Compliance Supplement, reporting incorrect information to the Federal government for the TANF program could result in fines to the District.

Recommendation

We recommend that the District correct the FY 2011 ACF-204 and resubmit it – if necessary – to the federal government. Additionally, we recommend that the District enhance internal controls to ensure required reports are complete and accurate, and that the District implement policies and procedures to improve the timeliness of their review process over the ACF-199 interface.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DHS will correct the FY 2011 ACF-204 and resubmit it – if necessary – to the federal government.

The Economic Security Administration (ESA) TANF Work Verification Plan, dated June 2007, stated ESA will conduct a review of 50 cases per month, transmitted through the TANF Data Reporting System (TDRS). Transmissions are completed quarterly (45 days after the end of the third month) and within the federally accepted timeframe. However, this timeframe, it can take a maximum of 4.5 months before the sample can be pulled for review. There is no stated time frame for completion of the reviews in the TANF Work Verification Plan. Nonetheless, all of the reviews were completed for FY 2011.

<i>Finding Number</i>	2011-60
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Support Enforcement (93.563)
<i>Federal Award Number</i>	1104DC4004 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S Department of Health and Human Services (HHS)
<i>District Department</i>	Office of the Attorney General (OAG)
<i>Compliance Requirement</i>	Cash Management

Criteria

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

According to 31 CFR section 205.12(b)(5), reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes.

According to the Cash Management Improvement Act (CMIA) and the Treasury-State Agreement between the District of Columbia and the U.S. Department of the Treasury, 8.2.1, a Federal interest liability shall accrue from the day the State pays out its own funds for program purposes to the day Federal funds are credited to a State account.

Condition

During our test work over the Cash Management compliance requirement, 2 of the 8 cash draw-downs selected for testing claimed reimbursement for expenditure items that were not paid for prior to the date of the draw-down request. In addition, proper remittance of interest to Treasury for the ‘advance’ in federal funds did not occur.

Cause

Inadequate review of cash draw-downs to ensure compliance with cash management requirements.

Effect

Two instances of non-compliance with the Cash Management Improvement Act and the Treasury-State Agreement in performance of the cash draw-down process.

Recommendation

The District should enhance existing procedures to ensure that all claimant files are properly reviewed to ensure compliance with requirements relating to the cash draw-down process and claims of federal reimbursement.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

We agree that a portion of the expenditure items identified in the 2 draw-downs were not in compliance with the requirement of the CMIA. The noncompliance results from a draw-down that was not recorded timely and the recordation of a drawdown that should have been posted to a prior year revenue receivable. The drawdown process has been reviewed and procedures have been developed to ensure compliance with the CMIA.

<i>Finding Number</i>	2011-61
<i>Prior Year Finding Number</i>	2010-54
<i>Federal Program</i>	Child Support Enforcement (93.563)
<i>Federal Award Number</i>	1104DC4004 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Office of the Attorney General (OAG)
<i>Compliance Requirement</i>	Special Tests & Provisions – Enforcement of Support Obligations

Criteria

According to 45 CFR 303.6(c), the IV-D agency must enforce the support obligation by: (1) initiating income withholding, in accordance with §303.100; (2) taking any appropriate enforcement action (except income withholding and Federal and State income tax refund offset) unless service of process is necessary, within no more than 30 calendar days of identifying a delinquency or other support-related non-compliance with the order or the location of the noncustodial parent, whichever occurs later. If service of process is necessary prior to taking an enforcement action, service must be completed (or unsuccessful attempts to serve process must be documented in accordance with the State’s guidelines defining diligent efforts under §303.3(c)), and enforcement action taken if process is served, within no later than 60 calendar days of identifying a delinquency or other support-related non-compliance with the order, or the location of the noncustodial parent, whichever occurs later.

Condition

During our testwork over the Child Support Services Enforcement of Support Obligation Cases, we noted the following:

1. For three (3) out of 65 cases reviewed, CSSD failed to take appropriate actions to enforce the support order;
2. For six (6) out of 65 cases reviewed, enforcement actions were not taken timely; and
3. For one (1) out of 65 cases reviewed, after wage withholding was unsuccessful, follow up enforcement actions were not taken timely.

Cause

Inadequate review of files to ensure that existing procedures relating to the enforcement of support obligations were being followed for each case file, in a timely and consistent manner.

Effect

Noncompliance with the Special Test and Provisions relating to enforcement of support obligations.

Recommendation

The District should enhance existing procedures to ensure that all claimant files are properly reviewed to ensure compliance with requirements relating to the enforcement of support obligations. Adequate resources / FTEs should be made available to support such process improvements.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

For 3 out of 65 cases reviewed, KPMG noted that CSSD failed to take appropriate actions to enforce the support order;

- The Child Support Services Division (CSSD) agrees with these audit findings.

For 6 out of 65 cases reviewed enforcement actions were not taken timely;

- The Child Support Services Division (CSSD) agrees with these audit findings.

For 1 out of 65 cases reviewed, after wage withholding was unsuccessful, follow up enforcement actions were not taken timely;

- The Child Support Services Division (CSSD) agrees with these audit findings.

CSSD will continue to work to improve the quality of its case processing ensure compliance with requirements relating to the enforcement of support obligations.

<i>Finding Number</i>	2011-62
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Support Enforcement (93.563)
<i>Federal Award Number</i>	1104DC4004 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Office of the Attorney General (OAG)
<i>Compliance Requirement</i>	Special Tests & Provisions – Securing and Enforcing Medical Support Obligations

Criteria

According to 45 CFR 303.31(b)(2), if private health insurance described in paragraph (b)(1) of this section is not available at the time the order is entered or modified, petition to include cash medical support in new or modified orders until such time as health insurance, that is accessible and reasonable in cost as defined under paragraph (a)(3) of this section, becomes available.

According to 45 CFR 303.31(b)(5), periodically communicate with the Medicaid agency to determine whether there have been lapses in health insurance coverage for Medicaid applicants and recipients.

According to DRA, Section 7307, support orders enforced by the child support program to include a provision for medical support; requires states to consider both parents' access to health insurance; and permits enforcement against both parents. If health insurance is not available, states may pursue cost-sharing of children's medical expenses. The provision defines "medical support" to include both health insurance and payment for children's medical expenses, and amends provisions governing health plans. The provision amends 42 U.S.C. 666(a)(19)(A), with conforming amendments to 42 U.S.C. 652(f) and 29 U.S.C. 1169 note. The general effective date (October 1, 2005) applies.

Condition

During our testwork over the Child Support Services Securing and Enforcing Medical Support Obligation Cases, we noted the following:

1. For thirty-five (35) out of 40 where the custodial parent was on Medicaid or neither parent had satisfactory health insurance, we noted that CSSD petitioned the court for the respondent to provide cash medical support and/or either parent to obtain health insurance when it becomes available at a reasonable cost. We noted that the CSSD monitors when health insurance becomes available to the non-custodial parent, but it does not monitor when it becomes available to the custodial parent.
2. For two (2) out of 65 cases selected, CSSD had not taken action to enforce and obtain the medical support.

Cause

Inadequate review of files to ensure that existing procedures relating to the securing and enforcing of medical support obligations were being followed for each case file, in a timely and consistent manner.

Effect

Noncompliance with the Special Test and Provisions relating to enforcement of support obligations.

Recommendation

The Office of the Attorney General should enhance existing procedures to ensure that all claimant files are properly reviewed to ensure compliance with requirements relating to the securing and enforcing of support obligations. Adequate resources / FTEs should be made available to support such process improvements.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

For 35 out of 40 where the custodial parent was on Medicaid or neither parent had satisfactory health insurance, KPMG noted that CSSD petitioned the court for the respondent to provide cash medical support and/or either parent to obtain health insurance when it becomes available at a reasonable cost. KPMG noted that the CSSD monitors when health insurance becomes available to the non-custodial parent, but it does not monitor when it becomes available to the custodial parent.

CSSD believes this question, which is based on A-133 Compliance Supplement March 2011 p. 4-93.563-11, Suggested Audit Procedure letter 'c', should not be asked as part of the audit. Letter 'c' says, "For selected cases where medical support was ordered, ascertain that the agency verified that medical support was obtained by the obligated parent. If medical support was not obtained by the obligated parent, ascertain if the agency either made a determination that health insurance was not available at a reasonable cost or took action to enforce and obtain the medical support."

CSSD believes the Social Security Act and the Code of Federal Regulations do not require IV-D child support programs to enforce medical support against the custodial parent. Enforcing against the custodial parent is at state option, and the District of Columbia has not opted to enforce against the custodial parent.

From reading the A-133 Compliance Supplement p. 4-93.563-10, it appears letter 'c' is based on 45 CFR section 303.31(b)(7) and DRA, Section 7307. However, a close examination of those two citations shows that they only require enforcement against the noncustodial parent, which CSSD does.

45 CFR section 303.31(b)(7) only refers to the noncustodial parent and does not refer to the custodial parent: "If health insurance is available to the noncustodial parent at reasonable cost and has not been obtained at the time the order is entered, take steps to enforce the health insurance coverage required by the support order and provide the Medicaid agency with the information referred to in § 303.30(a) of this part."

From AT-06-01 (March 7, 2006) which instructs states on their obligations under the Deficit Reduction Act states: "Effective October 1, 2005, sections 452(f) and 466(a) (19) of the Act were amended to

require States to have in effect laws requiring the use of procedures under which all child support orders in IV-D cases will include a provision for medical support to be provided by either or both parents. Similar requirements apply to State or local governmental group health plans and church plans. The Secretary must enact regulations to require States to enforce such orders, using the National Medical Support Notice (NMSN), against noncustodial parents and/or, at the State's option, against custodial parents." This Action Transmittal states that it is at state option to enforce against the custodial parent.

For 2 out of 65 cases selected, CSSD had not taken action to enforce and obtain the medical support.

- The Child Support Services Division (CSSD) agrees with these audit findings.

In response to the recommendations, CSSD will continue to work to increase health insurance coverage for children in its caseload. CSSD does not currently plan to begin monitoring when health insurance becomes available to the custodial parent, however.

CSSD notes that it has continued to improve its efforts in the medical support arena, despite the fact that there have been federal signals to suggest that medical support is currently a work in progress and that states will be given clearer direction later. For example, federal officials have disbanded the incentive workgroup related to medical support enforcement. With health care reform up in the air with the recent Supreme Court hearings, the medical support arena is unclear.

KPMG's Response

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

<i>Finding Number</i>	2011-63
<i>Prior Year Finding Number</i>	2010-55
<i>Federal Program</i>	Child Support Enforcement (93.563)
<i>Federal Award Number</i>	1104DC4004 (10/1/10-9/30/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Office of the Attorney General
<i>Compliance Requirement</i>	Special Tests & Provisions – Provision of Child Support Services for Interstate Cases

Criteria

According to 45 CFR 303.7(c), the initiating State IV-D agency must:

- (1) Determine whether or not there is a support order or orders in effect in a case using the Federal and State Case Registries, State records, information provided by the recipient of services, and other relevant information available to the State;
- (2) Determine in which State a determination of the controlling order and reconciliation of arrearages may be made where multiple orders exist;
- (3) Determine whether the noncustodial parent is in another jurisdiction and whether it is appropriate to use its one-state remedies to establish paternity and establish, modify, and enforce a support order, including medical support and income withholding;
- (4) Within 20 calendar days of completing the actions required in paragraphs (1) through (3) and, if appropriate, receipt of any necessary information needed to process the case:
 - (i) Ask the appropriate intrastate tribunal, or refer the case to the appropriate responding State IV-D agency, for a determination of the controlling order and a reconciliation of arrearages if such a determination is necessary, and
 - (ii) Refer any intergovernmental IV-D case to the appropriate State Central Registry, Tribal IV-D program, or Central Authority of a country for action, if one-state remedies are not appropriate;
- (5) Provide the responding agency sufficient, accurate information to act on the case by submitting with each case any necessary documentation and intergovernmental forms required by the responding agency.

According to 45 CFR 303.7(b)(4), the central registry must respond to inquiries from initiating agencies within 5 working days of receipt of the request for a case status review.

Condition

During our testwork over the Child Support Enforcement Interstate-Initiating Cases, we noted the following:

1. For two (2) out of 30 of the initiating cases selected, the case was not forwarded to the responding state within 20 days of locating the non-custodial parent in another state and receiving all information necessary to process the case;

2. For four (4) out of 30 of the initiating cases, after the case was sent to the Interstate division no further actions were taken by the agency and therefore compliance with remaining requirements could not be proven;
3. For three (3) out of 30 of the initiating cases there was no UIFSA form or documentation detailing the information that was forwarded to the responding state; therefore, the agency could not evidence that sufficient, accurate information was submitted to the responding state; and
4. For one (1) out of 30 of the initiating cases selected, there was no evidence that information was forwarded to the responding state after the UIFSA interview with the custodial parent.

During our test work over the Child Support Enforcement Interstate-Responding Cases, we noted that:

5. For five (5) out of 35 of the cases selected for testing there was no evidence that CSE responded to the Initiating State's request for a status update within the required 5 working days.

Cause

The Child Support Services Division has not developed sufficient policies and procedures to require sufficient documentation to be maintained and readily available to substantiate that Interstate Cases meet the required time frame.

Effect

The CSSD did not prove that Interstate Cases met compliance requirements.

Recommendation

We recommend that CSSD management enhance policies and procedures to ensure that Interstate documentation is maintained substantiating compliance with Child Support Enforcement compliance requirements. Adequate resources / FTEs should be made available to support such process improvements.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Interstate – Initiating Cases

For 2 out of 30 of the initiating cases selected, the case was not forwarded to the responding state within 20 days of locating the non-custodial parent in another state and receiving all information necessary to process the case.

- The Child Support Services Division (CSSD) agrees with this audit finding for case numbers 339017*1 and 399045*1.

For 4 out of 30 of the initiating cases, after the case was sent to the Interstate division no further actions were taken by the agency and therefore we could not determine compliance with remaining requirements;

- The Child Support Services Division agrees with this audit finding for case numbers 398849*1, and 400322*1.
- For case number 400310*1, CSSD agrees with the finding with the exception that some further actions occurred once the case reached the Interstate Unit; however the follow-up was insufficient and did not move the case forward as needed for child support enforcement.
- For case number 401946*1, CSSD disagrees with this finding. Once the case was sent to the Interstate Unit, further actions were taken by the agency, some of which occurred in fiscal year 2012 (after the end of the audit period). The case was determined to be eligible for long-arm jurisdiction to be exercised and sent back to the Intake Unit to be processed as a local case. Subsequently, the custodial parent informed CSSD that although the non-custodial had a permanent address in the state of Maryland, he was temporarily located in Oklahoma in a U.S. military – basic training phase of his military commitment. Due to non-custodial parent’s military status and not having a permanent duty station, CSSD was not able to pursue the effectuation of service of process. The case was re-sent to the Interstate Unit as a result for interstate/intergovernmental pursuit of child support once the non-custodial parent’s location was determined. This response is supported by documented evidence found in DCCSES Case Notes and Case Actions screens.

For 3 out of 30 of the initiating cases there was no UIFSA form or documentation detailing the information that was forwarded to the responding state; therefore, we could not determine if sufficient, accurate information was submitted to the responding state

- For case number 399169*1, the Child Support Services Division agrees that there was no UIFSA form or documentation detailing the information that was forwarded to the responding state. However, there is evidence which shows that CSSD took actions on behalf of the custodial parent when she became a resident of the District of Columbia and sought RSI Enforcement services. For example, CSSD sent a 30-day delinquency letter to Maryland requesting enforcement on behalf of the custodial parent (within the fiscal year). Of note, this case was a part of the District of Columbia’s and Maryland’s Erasing Borders federal grant pilot. Because respective staff was collocated in each jurisdiction, staff sometimes communicated directly with their counterparts via telephone for cases shared between Prince George’s County and the District of Columbia. While general practice involves the sending / receiving of transmittals for redirection of payment requests, some actions may have been circumnavigated to improve efficiencies under this pilot project.
- For case numbers 399561*1 and 399859*1, the Child Support Services Division agrees that there was no UIFSA form or documentation detailing the information that was forwarded to the responding state. However, evidence exists in DCCSES which shows follow up case processing actions were taken by CSSD.

For 1 out of 30 of the initiating cases selected, there was no evidence that information was forwarded to the responding state after the UIFSA interview with the custodial parent.

- For case number 399170*1, the Child Support Services Division agrees with this audit finding.

Interstate – Responding Cases

For 5 out of 35 of the cases selected for testing there was no evidence that CSE responded to the Initiating State’s request for a status update within the required 5 working days.

- For case number 399075*1, 399308*1, 399307*1, 399324*1, and 399475*1, the Child Support Services Division agrees with the findings.

CSSD’s Policy and Training component has developed, in consultation with staff, policies and procedures which focuses specifically on processing interstate/intergovernmental child support cases. These policies, procedures and corresponding trainings emphasize these particular provisions and 45 CFR compliance requirements. Additionally, CSSD has created desktop reference ‘How To’ manuals to help guide staff who process Interstate/Intergovernmental cases and have provided multiple trainings and refresher sessions on the procedures included in these tools.

In fiscal year 2011, the following trainings were taught to staff that process interstate / intergovernmental classes. These staff took other general classes as well (not listed here).

- Interstate Establishment Reorganization—General Topics, 1/10/11 (all day)
- Interstate Reorganization Training, 1/11/11 (all day)
- Interstate Reorganization Training, 1/12/11 (all day)
- Interstate Reorganization Training, 1/13/11 (all day)
- Restructure Training—Financial Institution Data Match 9/13/11
- Restructure Training—Deficit Reduction Act, 9/20/11
- Restructure Training—Interstate/Establishment Training 9/21/11
- Restructure Training—Interstate/Establishment Training 9/21/11
- Restructure Training—Fresh Start, 9/28/11
- Restructure Training—Introduction to QUICK, 9/29, 11

A challenge faced by CSSD in ensuring that Interstate documentation and compliance is maintained stems, in part, from pushback from the employees union. Management has developed new business models to enhance case management however, multiple union grievances have been filed halting implementation. CSSD Management is awaiting a decision and direction from the Office of Labor Relations and Collective Bargaining concerning the aggrieved issues.

The Child Support Services Division will work to ensure that Interstate documentation is maintained substantiating compliance with Child Support Enforcement compliance requirements. The Office of the Director will oversee a pilot project designed to address the audit errors. The pilot project needs two additional FTE for full implementation.

KPMG’s Response

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

<i>Finding Number</i>	2011-64
<i>Prior Year Finding Number</i>	2010-56
<i>Federal Program</i>	Low-Income Home Energy Assistance Program (93.568)
<i>Federal Award Number</i>	G-10B1DCLIEA (10/1/09-9/30/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of the Environment
<i>Compliance Requirement</i>	Eligibility

Criteria

Per 42 USC § 8624 (b)(2) – *Certification Required for Covered Activities*, as part of the annual application required by subsection (a) of this section, the chief executive officer of each State shall certify that the State agrees to:

- (2) make payments under this subchapter only with respect to-
 - (A) households in which 1 or more individuals are receiving-
 - i. assistance under the State program funded under part A of title IV of the Social Security Act [42 U.S.C. 601 et seq.];
 - ii. supplemental security income payments under title XVI of the Social Security Act [42 U.S.C. 1381 et seq.];
 - iii. supplemental nutrition assistance program benefits under the Food and Nutrition Act of 2008 [7 U.S.C. 2011 et seq.]; or
 - iv. payments under section 1315, 1521, 1541, or 1542 of title 38, or under section 306 of the Veterans’ and Survivors’ Pension Improvement Act of 1978; or
 - (B) households with incomes which do not exceed the greater of-
 - i. an amount equal to 150 percent of the poverty level for such State; or
 - ii. an amount equal to 60 percent of the State median income; except that a State may not exclude a household from eligibility in a fiscal year solely on the basis of household income if such income is less than 110 percent of the poverty level for such State, but the State may give priority to those households with the highest home energy costs or needs in relation to household income;

Condition

During our performance of eligibility testing over the Low-Income Home Energy Assistance Program (LIHEAP) as operated by the District Department of the Environment (DDOE), we noted that 16 out of the 65 beneficiary files and applications selected for testing were missing proper documentation to evidence that the beneficiaries were certified as being eligible to receive LIHEAP benefits.

Specifically we noted that out of a population of beneficiary files and applications totaling \$12,450,318:

1. Five (5) out of 65 applications did not have an intake processor’s signature indicating their review of the eligibility information that was entered into the LIHEAP system.
2. Eleven (11) out of 65 beneficiary files and applications selected for testing, totaling \$4,328 out of a sample of \$58,848, did not have the required income determination documentation necessary to support a beneficiary’s eligibility.

Cause

DDOE program management did not follow established policies and procedures with regard to the review and certification of beneficiary applications. In addition, DDOE does not have sufficient policies and procedures with regard to the maintenance of required income documentation for LIHEAP applicants.

Effect

LIHEAP beneficiary applications and payments were not supported.

Recommendation

We recommend that DDOE program management:

1. Follow established policies and procedures to ensure that beneficiary applications and supporting documentation are properly reviewed and certified by an intake processor prior to eligibility determination.
2. Enhance DDOE policies and procedures concerning income determination documentation and record keeping to the standards of HHS requirements.

Related Noncompliance

Noncompliance

Questioned Costs

\$4,328

Views of Responsible Officials

The District Department of the Environment's (DDOE) Energy Affordability Division (EAD) concurs with the facts of finding. However, we wanted to include our position that evidence and proper documentation were included for the 16 files that were certified as eligible to receive LIHEAP benefits. The auditor(s) stated "Five (5) out of 65 applications did not have an intake processor's signature indicating their review of the eligibility information that was entered into the LIHEAP system."

Although we require a processor to sign benefit documentation, a processor's signature does not certify eligibility for LIHEAP benefits. Eligibility documentation and certification was provided during the application intake process by each applicant/customer. Intake workers that processed each of the five (5) applications had documentation in their possession in order to input customer eligibility information into our database which calculated benefit amounts on behalf of each customer in question.

Secondly the auditor(s) stated "Eleven (11) out of 65 beneficiary files and applications selected for testing did not have the required income determination documentation necessary to determine a beneficiary's eligibility."

Seven (7) of the 11 files in question were homebound applications. During the homebound application process, intake workers used eligibility documentation in their possession during the application process that was performed in a customer's home or housing complex for senior citizens. The information included and reviewed during the homebound visits was the customer's proof of income documentation.

During the time of our FY 2011 homebound visits, we did not have scanning technology available to make copies of income documentation. Therefore, intake workers documented a customer's proof of income on an "income statement." Our "Income Statement" was used as a tool in the absence of scanning capability or technology and used to certify and document a customer's eligibility.

In addition, four (4) of the 11 files in question were not considered homebound applications that were processed. When intake workers process applications they have access to the Department of Human Service's (DHS) Income Maintenance Administration's (IMA) Automated Client Eligibility Determination System (ACEDS) which provides income for customers that receive such income as TANF, Social Security income, child support income, unemployment income, Veteran's benefits, etc. Although we utilized the ACEDS database there was no requirement to include DHS income information in our files. However, ACEDS data is always used when processing LIHEAP applications.

DDOE's EAD strongly believes that all 16 beneficiary files in question were certified as being eligible to receive LIHEAP benefits during the application process. Again, this finding was stated during our FY 2010 audit. The EAD has since ordered scanners to capture and document a customer's actual proof of income presented during homebound visits. During FY 2012 the EAD implemented a requirement to include ACEDS income documentation in customer files.

Additionally, in fiscal year 2012, EAD implemented new guidelines as follows to ensure intake workers collect pertinent documentation from each client to ensure fiscal responsibility:

- Conduct daily file reviews for completeness, orderliness, and accuracy;
- Request, receive, and review relevant eligibility documents;
- Extract pertinent data from documents provided for LIHEAP applications;
- Certify documents are physically reviewed and approved; and
- Ensure certification occurs with the inclusion of a signature from both the intake representative and the applicant on a unique DDOE homebound form developed for such purposes.

KPMG's Response

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

<i>Finding Number</i>	2011-65
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Care Development Fund Cluster (93.575, 93.596, 93.713)
<i>Federal Award Number</i>	G-1101DCCCDF (10/1/2010 – 9/30/2011)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Reporting

Criteria

OMB Circular A-133, section 310 (b) indicates:

Schedule of expenditures of Federal awards (SEFA). The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end. While not required, it is preferable to present this information in the schedule.

Condition

While performing testwork over the fiscal year (FY) 2011 Child Care and Development Fund, we noted that the detail of expenditures and the Schedule of Expenditures of Federal Awards amounts for the Child Care and Development Block Grant (CFDA #93.575), included Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA #93.596) in the amount of \$6,345,355.

Cause

The Child Care Mandatory and Matching Funds of the Child Care and Development Fund are not properly coded to the correct CFDA number within the District's financial accounting system.

Effect

The FY 2011 Schedule of Expenditures of Federal Awards did not properly reflect the expenses related to the Child Care and Development Block Grant (CFDA #93.575) and the Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA #93.596).

Recommendation

We recommend that OSSE financial management establish policies and procures to check and verify that program grant numbers are properly coded to the correct CFDA number and thus properly provide the total Federal awards expended for each individual Federal program on the Schedule of Expenditures of Federal Awards.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

We acknowledge that the FY 2011 Schedule of Expenditures of Federal Awards (SEFA) did not properly reflect the expenses related to the Child Care and Development Block Grant (CFDA #93.575) and the Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA #93.596).

The FY 2011 SEFA has been corrected. Going forward, the Agency Fiscal Officer will perform a secondary review of the SEFA for accuracy.

Finding Number 2011-66
Prior Year Finding Number 2010-61
Federal Program Head Start (93.600, 93.708)
Federal Award Number 03CH0233/24 (9/1/10-8/31/11), 03CH0233/25 (9/1/11-8/31/12),
03CH038/46 (8/1/10-7/31/11), 03CH038/47 (8/1/11-7/31/12),
03SE0233/01 (7/1/09-12/31/10)
Federal Agency U.S. Department of Health and Human Services (HHS) (including
ARRA expenditures)
District Department District of Columbia Public Schools (DCPS)
Compliance Requirement Activities Allowed and Unallowed, Allowable Costs / Cost Principles

Criteria

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

Condition

We noted that the District of Columbia Public Schools (DCPS) did not have a process in place to document the review of non-personnel expenditures for allowability by Head Start management in FY 2011. When such review was performed, it was usually performed verbally, via telephone or email between Head Start program management and the individual in the Head Start program office submitting the Purchase Requisitions. As such, we could not verify that expenditures were appropriately reviewed for allowability within program requirements. However, we did not identify any unallowable expenditures charged to the program.

Cause

Documented controls are not in place and operating effectively to ensure that non-personnel expenditures are appropriately reviewed for allowability by program management.

Effect

The lack of documented controls over the review of expenditures could result in non-compliance with program requirements.

Recommendation

We recommend that Head Start program management knowledgeable of applicable allowability requirements review all Head Start expenditures prior to submission, and ensure such review is documented.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DCPS officials do not concur with this finding because non-personnel expenditures did not occur without the approval of the past ECE director who had extensive knowledge of the Head Start Act and Performance Standards. In FY 2012, a formal process was developed to ensure there is written documentation of all non-personnel expenditures.

KPMG's Response

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

<i>Finding Number</i>	2011-67
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Head Start (93.600, 93.708)
<i>Federal Award Number</i>	03CH0233/24 (9/1/10-8/31/11), 03CH0233/25 (9/1/11-8/31/12), 03CH038/46 (8/1/10-7/31/11), 03CH038/47 (8/1/11-7/31/12), 03SE0233/01 (7/1/09-12/31/10)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking

Criteria

Per the addendum to the Financial Assistance Award (FAA) executed on 8/13/2010 by DCPS and HHS for the operation of the Head Start program:

“DCPS Head Start will provide the [HHS Administration of Children and Families, Office of Head Start] (OHS) with a justification of the non-federal resources totaling \$18,648,742 required to support and sustain this model. 45 CFR 1320.”

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

Condition

During our testwork over the matching compliance requirement, we noted that out of a sample of 25 payments to employees totaling \$95,719 selected from the list of non-federal Head Start expenditures totaling \$20,461,439, 1 (one) of the employees selected totaling \$7,616 in payroll expenditures was not employed at a Title I school. All preschool, pre-kindergarten, and kindergarten classes at DCPS Title I schools were designated as Head Start classes. Therefore, the salaries and benefits paid to this employee were inappropriately counted toward the matching requirement.

We extrapolated this error to the entire population of non-federally funded expenditures and noted that the error extrapolated to \$1,627,981. When subtracted from the \$20,461,439 in non-federal expenditures, the amount of non-federally funded expenditures totals \$18,833,457. As DCPS was required to fund \$18,648,712 in non-federal expenditures per the FAA, DCPS was still in compliance with the matching requirement.

Cause

DCPS did not follow established policies and procedures with regard to ensuring that the list of non-federal Head Start expenditures in conjunction with the 425 reporting process were reviewed by program management in sufficient detail to ensure that only employees providing Head Start services were counted toward the requirement.

Effect

The lack of adherence to existing internal controls over the review of non-federal matching requirements could result in non-compliance with program requirements.

Recommendation

We recommend that Head Start program management and/or DCPS financial personnel knowledgeable of applicable matching requirements review the list of non-federal expenditures to ensure that only eligible expenditures are counted when determining the total amount of non-federally funded Head Start expenditures.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Office of Early Childhood Education concurs with this finding. In FY 2012, additional controls have been put in place to ensure that the list of non-federal expenditures is reviewed at least quarterly by multiple staff with knowledge of employees providing Head Start services.

<i>Finding Number</i>	2011-68
<i>Prior Year Finding Number</i>	2010-65
<i>Federal Program</i>	Head Start (93.708)
<i>Federal Award Number</i>	03SE0233/01 (7/1/09-12/31/10)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
<i>District Department</i>	District of Columbia Public Schools (DCPS)
<i>Compliance Requirement</i>	Reporting – ARRA 1512

Criteria

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

Condition

We noted that DCPS does not have internal controls in place for review and approval of quarterly ARRA 1512 report submissions.

Cause

Controls are not in place and operating effectively to ensure that the ARRA 1512 report submissions are reviewed prior to submission.

Effect

Inadequate internal controls to ensure that ARRA 1512 reports are reviewed prior to submission could result in non-compliance with program requirements

Recommendation

We recommend that DCPS review ARRA 1512 reports prior to submission, and ensure such review is documented.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DCPS concurs with the finding. The process related to the review of this report should be formalized and all necessary supporting documentation appropriately maintained.

<i>Finding Number</i>	2011-69
<i>Prior Year Finding Number</i>	2010-68
<i>Federal Program</i>	Foster Care – Title IV-E (93.658)
<i>Federal Award Number</i>	1101DC1401 (10/01/2010 - 9/30/2011) 1101DC1402 (10/01/2010 - 12/31/2010; 04/01/2011 - 06/30/2011) 1101DC1404 (01/01/2011 - 06/30/2011)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Eligibility

Criteria

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

According to 45 CFR Part 92.20(b)(2), Accounting records, “Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.”

According to 42 U.S. Code 671(a)(10), “provides for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for foster family homes and child care institutions which are reasonably in accord with recommended standards of national organizations concerned with standards for such institutions or homes, including standards related to admission policies, safety, sanitation, and protection of civil rights, provides that the standards so established shall be applied by the State to any foster family home or child care institution receiving funds [under the State plan].

Furthermore, per the Child Welfare Policy Manual issued by the Administration for Children and Families (ACF), in accordance with Public Law 92-272 (effective June 17, 1980), child care providers who provide care to foster children are allowable costs in certain situations. Per the Child Welfare Policy Manual, “since foster parents must be licensed or approved, child care providers that provide a foster child daily supervision in the foster parent's stead must also be licensed or approved in order for the State to claim reimbursement under title IV-E foster care maintenance.” According to the Social Security Act §472(c)(2), a child-care institution is licensed by the State in which it is situated.

Per 45 CFR §1356.30(a), “the title IV–E agency must provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents.”

In addition, according to 45 CFR §1356.30(f), “in order for a child care institution to be eligible for title IV-E funding, the licensing file for the institution must contain documentation which verifies that safety considerations with respect to the staff of the institution have been addressed.”

Furthermore, per 116 STAT 2350 §2 (d)(2)(B), an “improper payment” includes any payment to an ineligible recipient.

Condition

During eligibility control testwork, we tested 65 participants and noted the following:

1. For two (2) of 65 sample items, the Supervisory Eligibility Technician input the redetermination into FACES, however there was not an approval by a second reviewer for the redetermination.
2. For five (5) of 65 sample items, the Supervisory Eligibility Technician did not approve the redetermination made by the Eligibility Staff Technician.

We noted that allowability standards require the beneficiary to be eligible as a component of allowability. Therefore, during eligibility compliance testwork, we tested 65 participants, representing an allowability sample of \$56,468 out of a population of \$16,368,975 and noted the following:

3. For one (1) of 65 sample items, representing federal funds in the amount of \$121, the license for the day care provider was not provided.
4. For one (1) of 65 sample items, representing federal funds in the amount of \$1,593, the criminal record check provided did not cover the service period selected for testing. The foster parent criminal clearances provided were dated the month after the service period selected for testing.
5. For one (1) of 65 sample items, representing federal funds in the amount of \$31, the safety check provided did not cover the service period selected for testing. This was a newly contracted provider and the safety check was not performed until the following quarter after the service period selected for testing.

Cause

CFSA is not adhering to its existing policies and procedures for review performed by the Supervisory Eligibility Technician.

In addition, CFSA did not conduct criminal background checks and safety checks on a consistent basis for FY2011. The District did not retain a copy of the license for the day care provider.

Effect

Lack of adequate controls could lead to noncompliance with the eligibility requirements.

If the foster parent/child care institution/child care provider does not have a valid license, a valid criminal background check, and/or a valid safety check for the service period in which the allowable cost was disbursed, the foster care program is not in compliance with the program's eligibility requirements and the costs are no longer allowable for Federal reimbursement by the District.

Recommendation

We recommend the District adhere to existing control policies and procedures.

We recommend that the District maintain appropriate documentation supporting that the child care provider has a valid license. In addition, we recommend that the District adhere to existing policies and

procedures of monitoring safety checks of child care institutions. Further, the District should maintain appropriate documentation supporting that the foster parent has passed the criminal background check.

Related Noncompliance

Noncompliance

Questioned Costs

\$1,745

Views of Responsible Officials

Eligibility Files Finding Response: Child and Family Services Agency (CFSA) will adhere to its existing policies and procedures ensuring that IV-E eligibility determinations and redeterminations performed by Eligibility Technicians are consistently reviewed by the Supervisory Eligibility Technician as an ongoing quality control. The Program Manager or an Eligibility Technician will review IV-E eligibility determinations and redeterminations completed by the Supervisory Eligibility Technician.

Criminal Background Check and Safety Check Finding Responses: While CFSA concurs with the finding, CFSA does not agree with the language found in the "Cause" section of this report, as CFSA does not agree that the Agency “did not conduct criminal background checks and safety checks on a consistent basis for FY2011.” On the contrary, the results indicate that for 63 out of 65 cases, or 97% of the sample, the Agency completed the necessary background checks.

KPMG’s Response

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

Finding Number 2011-70
Prior Year Finding Number N/A
Federal Program Foster Care – Title IV-E (93.658)
Federal Award Number 1101DC1401 (10/01/2010 - 9/30/2011)
1101DC1402 (10/01/2010 - 12/31/2010; 04/01/2011 - 06/30/2011)
1101DC1404 (01/01/2011 - 06/30/2011)
Federal Agency U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
District Department Child and Family Services Agency (CFSA)
Compliance Requirement Reporting

Criteria

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

For reporting periods beginning October 1, 2010 or later: CB-496, *Title IV-E Programs Quarterly Financial Report (OMB No. 0970-0205)* – Title IV-E agencies report current expenditures and information on children assisted for the quarter that has just ended and estimates of expenditures and children to be assisted for the next quarter. Prior quarter adjustment (increasing and decreasing) expenditures applicable to earlier quarters must also be separately reported on this form.

Condition

Program management incorrectly excluded the removal of the federal share of child support collections from the net maintenance assistance payments on the *Form CB-496: Title IV-E Programs Quarterly Financial Report* in the following amounts:

- 1st quarter - \$9,103
- 2nd quarter - \$16,521
- 3rd quarter - \$18,344
- 4th quarter - \$8,386

In addition, for the 2nd quarter *Form CB-496: Title IV-E Programs Quarterly Financial Report* submitted, we noted a difference in the amount of \$2,460 for the federal share of maintenance expenditures incurred and the amount of federal maintenance expenditures reported.

We also noted a difference in the amount of \$14,160 for total administrative costs reported on the 1st quarter *Form CB-496: Title IV-E Programs Quarterly Financial Report* and the amount of administrative costs incurred.

Cause

Adequate review was not performed on the financial report to ensure that the financial reports submitted to Department of Health and Human Services are complete and accurate.

Effect

The District did not comply with the reporting requirements for the Foster Care program.

Recommendation

We recommend that the District implement a monitoring control to ensure that the Child and Family Services Agency adhere to its existing policies and procedures requiring a proper review of the reports submitted.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency (CFSA) will adhere to its existing policies and procedures requiring both the Agency Fiscal Office and the Business Services Administration to complete a proper review of the reports submitted to the Department of Health and Human Services to ensure accuracy and completeness. Specifically, the review will consist of an examination of the initial and any amended reports prior to submission by the Administrator of the Business Services Administration and the Agency Fiscal Officer.

Finding Number	2011-71
Prior Year Finding Number	2010-69
Federal Program	Foster Care – Title IV-E (93.658)
Federal Award Number	1101DC1401 (10/01/2010 - 9/30/2011) 1101DC1402 (10/01/2010 - 12/31/2010; 04/01/2011 - 06/30/2011) 1101DC1404 (01/01/2011 - 06/30/2011)
Federal Agency	U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
District Department	Child and Family Services Agency (CFSA)
Compliance Requirements	Subrecipient Monitoring and Special Tests & Provisions – R3-Subrecipient Monitoring

Criteria

The requirements for subrecipient monitoring are contained in the following regulations:

According to 45 Code of Federal Regulations (CFR) Section. 92.26, *Non-Federal audit*, require subgrantees to obtain an audit in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), revised OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*. The audits shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial audits. Ensure that appropriate corrective action is taken within six months after receipt of the audit report in instance of noncompliance with Federal laws and regulations. Consider whether sub-grantee audits necessitate adjustment of the grantee's own records. Require each sub-grantee to permit independent auditors to have access to the records and financial statements.

Per 45 CFR Section 92.37, *Subgrants*, require states (1) to ensure that every subgrant includes any clauses required by Federal statute and executive orders and their implementing regulations; (2) to ensure that subgrantees are aware of requirements imposed upon them by Federal statute and regulation; (3) to ensure that a provision for compliance with 45 CFR Section 92.42, *Retention and Access Requirements for Records*, is placed in every cost reimbursement subgrant; and (4) conform any advances of grant funds to subgrantees substantially to the same standards of timing and amount that apply to cash advances by Federal agencies.

According to 2 CFR section 176.50(c), *Award Terms for Assistance Agreements that Include Funds Under the American Recovery and Reinvestment Act of 2009, Public Law 111-5, Subpart A – Reporting and Registration Requirements Under Section 1512 of the American Recovery and Reinvestment Act of 2009*, recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (CCR) (<http://www.ccr.gov>) at all times during which they have active federal awards funded by ARRA funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the CCR.

Per 2 CFR section 176.210(c) and (d), *Award Terms for Assistance Agreements that Include Funds Under the American Recovery and Reinvestment Act of 2009, Public Law 111-5, Subpart D – Single Audit Information for Recipients of Recovery Act Funds*, recipients agree to separately identify to each subrecipient, and document at the time of the subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of ARRA funds. When a recipient awards ARRA funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental ARRA funds from regular subawards under the existing program.

Condition

We noted that although management performed a detailed analysis of the proper classification of its Child Placement Agencies (CPAs), the CPAs were inappropriately classified as vendors as opposed to subrecipients of Federal awards. The amount of funding received by CPAs from the District in FY 2011 was approximately \$7,692,504. As a result, we noted the following issues related to the pass-through of Federal awards to the CPAs that resulted from the misclassification.

1. The Catalog of Federal Domestic Assistance (CFDA) title, CFDA number, award name, award number, and name of awarding agency were not present on the CPAs' contracts;
2. There was no evidence that CFSA identified American Recovery and Re-Investment Act (ARRA) awards and applicable requirements to its subrecipients and separately identified to each subrecipient, and documented at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds;
3. For awards greater than \$500,000, we noted no evidence in the contract monitoring files or in the CPAs' contract terms that the CPAs were required to obtain an audit in accordance with OMB Circular A-133 and submit a copy of the report to CFSA, where required; and
4. There was no evidence that CFSA communicated to subrecipients the requirement to register in the Central Contractor Registration (CCR), obtain a DUNS number, and maintain that information. Also, there was no evidence that CFSA determined that subrecipients have current CCR registrations prior to making subawards and performed periodic checks to ensure that subrecipients are updating information, as necessary.

Cause

The District did not identify the CPAs as subrecipients in FY 2011 and therefore, did not require the CPAs to comply with the additional requirements of being subrecipients or the additional requirements for subrecipients receiving ARRA funding.

Effect

The District is not in compliance with subrecipient requirements for federal funds and ARRA funds. Furthermore, if the CPAs are unaware that they are subrecipients and have additional requirements to adhere to, the CPAs may use federal funds inappropriately, and could potentially cause the District not to be in compliance with requirements for allowable costs

Recommendation

We recommend CFSA properly classify the CPAs as subrecipients and reflect the necessary requirements in the CPAs' contracts.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

The agency shared with the auditors a memorandum from the Child and Family Services Agency's Office of General Counsel, dated March 30, 2011. The memorandum and its reasoning serve as the basis for the agency's non-concurrence with this finding from the auditor. The following is excerpted from that memorandum.

"... OMB Circular A-133, both subpart B §____.210 (b) (1)-(5) which describes the 5 characteristics of a "federal award" and subpart B §____.210 (c) (1) – (5) which describes the 5 characteristics of "payment for goods and services". Characteristics of the former would describe an entity receiving a "pass-through" and would be a "sub-recipient" and characteristics of the later would describe a "vendor" who is receiving monies from to provide a service."

The characteristics for a "federal award" (and thus deemed to be a "sub-recipient") come in the form of 5 statements. I will address each one in turn below:

1. Determine who is eligible to receive what Federal financial assistance.

RESPONSE:

CFSA's private agency partners (Child Placing Agencies or CPAs) bear no responsibility for this function. The CPAs under contract with CFSA to perform child placing services do not make determinations into whether the children in their care are eligible for financial assistance. CFSA maintains sole and primary responsibility for Title IV-E eligibility determinations for all DC wards.

2. Has its performance measured against whether the objectives of the Federal program are met.

RESPONSE:

Although their contracts may contain language of how they will be measured, the performance based contract language is to improve the delivery of services, not to collect Federal funds. The Child Placing Agencies' performance is measured similar to the way CFSA measures the performance of the CFSA social worker through Administrators' performance.

Title IV-E objectives are not mentioned as part of CFSA's evaluation and monitoring of the CPAs because the CPAs bear no direct responsibility for achieving them. Nor do Title IV-E objectives have any bearing on CFSA payment to CPAs. CPAs are responsible for maintaining their own networks of licensed foster family homes, but their performance on this front is evaluated against local regulatory requirements for licensure and not compliance with federal requirements.

3. Has responsibility for programmatic decision making.

RESPONSE:

CPAs do not have direct programmatic decision making ability. As part of their contractual agreements with CFSA, CPAs maintain case management responsibility for DC wards in foster care. In this capacity, they have responsibility for case plan and permanency plan development and maintenance, home visitation, service referrals and monitoring, and needs assessment for the youth on their caseloads. While the CPAs maintain these responsibilities, their case-specific work is monitored through Structured

Progress Reviews (SPR) administered by CFSA's Office of Planning Policy and Program Support. The SPR's ensure compliance with local statutory and regulatory requirements as well as CFSA agency policy and practice standards.

Even for youth assigned to CPA case managers, CFSA maintains significant programmatic responsibility for them. In addition to administering the SPR, CFSA maintains primary responsibility for all legal case activities (managed by attorneys from DC's Office of the Attorney General detailed to CFSA cases), approval of all clinical services (provided through CFSA's Office of Clinical Practice), and for approval of placements and placement changes (managed centrally through CFSA's Placement Services Administration).

4. Has responsibility for adherence to applicable Federal program compliance requirements.

RESPONSE:

The Private Agencies do not have responsibility to adhere to the Federal regulations; CFSA has the responsibility of making sure they do. The IV-E compliance rests solely on CFSA. If the CPA does not comply, CFSA does not submit claims for IV-E reimbursement.

5. Uses the Federal Funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

RESPONSE:

The private agencies provide CFSA with foster care services, just like is done by the various CFSA Administrations under the CFSA Deputy Director for Agency Programs. CFSA remits payment to the CPAs for foster care services for those youth placed in CPA foster family homes. In cases where these youth are Title IV-E eligible, CFSA submits claims for IV-E federal reimbursement. In cases where the youth is not Title IV-E eligible, CFSA submits no claim and bears the full cost of the foster care payment. The payment to the CPA does not change at all.

The characteristic of "payment for goods and services" (and thus deemed to be a "vendor") come in the form of 5 statements or questions. I will address each one in turn below:

1. Provides the goods and services within normal business operations.

RESPONSE:

Like the CFSA social workers, this is what each CPA does for CFSA. The Child Placing Agencies' social workers provide direct services to children and families served by CFSA. Like CFSA social workers, the CPA social workers write court reports, appear in court, provide services and do not function in any way in which the CFSA social workers do not.

2. Provides similar goods or services to many different purchasers.

RESPONSE:

Many of the Private Agencies have other offices in Maryland, Virginia and other jurisdictions not in the District of Columbia where they serve as vendors to the Child Welfare Agency. They do not operate exclusively with CFSA.

3. Operates in a competitive environment.

RESPONSE:

Contracts for the services of the CPAs are competitively bid.

4. Provides goods or services that are ancillary to the operation of the Federal program.

RESPONSE:

The Child Placing Agencies receive CFSA money to provide services; this money is not tied directly to Federal funds as they would receive the same amount of money, as per their contract with CFSA regardless of the Federal Funds given to CFSA. Although the CPAs bear responsibility for service delivery they have no responsibility for the administration of the actual Federal program that it is tied to.

5. Is not subject to compliance requirement of the Federal program.

RESPONSE:

Although the CPAs' contracts may mention federal requirements, such language is included so CFSA may measure their success, not as a means of CFSA collecting Federal dollars. CFSA remits payment to the CPAs for foster care services for those youth placed in CPA foster family homes. In cases where these youth are Title IV-E eligible, CFSA submits claims for IV-E Federal reimbursement. In cases where the youth is not Title IV-E eligible, CFSA submits no claim and bears the full cost of the foster care payment. The payment to the CPA does not change at all."

The agency contends that the auditor failed to provide any information on how their determination was made and if the Five (5) pronged test was performed to be considered to have received a "federal award" and deemed a sub-recipient.

KPMG's Response

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

Finding Number 2011-72
Prior Year Finding Number 2010-68
Federal Program Adoption Assistance (93.659)
Federal Award Number 1101DC1403 (10/1/2010-12/31/2010; 4/1/2011-6/30/2011)
1101DC1405 (1/1/2011-3/31/2011)
1101DC1407 (10/1/2010-9/30/2011)
Federal Agency U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
District Department Child and Family Services Agency (CFSA)
Compliance Requirement Eligibility

Criteria

According to 45 CFR Part 92.20(b)(2), Accounting records, “Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.”

In order for a State to eligible for maintenance payments, the State shall, according to 42 U.S. Code 671(a)(20)(B)(i), “check any child abuse and neglect registry maintained by the State for information on any prospective foster or adoptive parent and on any other adult living in the home of such a prospective parent, and request any other State in which any such prospective parent or other adult has resided in the preceding 5 years, to enable the State to check any child abuse and neglect registry maintained by such other State for such information, before the prospective foster or adoptive parent may be finally approved for placement of a child.

Furthermore, per 42 USC 673(a)(4)A)(i)(I & II), a payment may not be made to parents or relative guardians to a child who has attained 18 years of age (or 19, 20, or 21 as elected by the State under section 675(8)(B)(iii) or 21 years of age if the child has a mental or physical handicap which warrants the continuation of assistance as determined by the states.

In addition, per 42 USC 673(a)(7)(A)(ii), a payment may not be made to parent for an applicable child who is not a citizen or resident of the United States.

Furthermore, per 116 STAT 2350 §2 (d)(2)(B), an “improper payment” includes any payment to an ineligible recipient.

Condition

We noted that allowability standards require the beneficiary to be eligible as a component of allowability. Therefore, during eligibility compliance testwork, we tested 62 participants, representing an allowability sample of \$31,528 out of a population of \$11,289,630 and noted the following:

1. For one (1) of 62 sample items, totaling \$512, the Child and Family Services Agency (CFSA) did not maintain adequate documentation to prove that the child was eligible to receive assistance from the program.
2. For four (4) of 62 sample items, totaling \$1,924, CFSA did not maintain adequate documentation to prove that the prospective adoptive parent(s) and/or any other adult living in the home who has

resided in the provider home in the preceding 5 years satisfactorily met a child abuse and neglect registry check.

3. For one (1) of 62 sample items, totaling \$497, CFSA did not maintain adequate documentation to prove the child's age and citizenship status.

Cause

The District did not maintain adequate documentation to prove that prospective adoptive parents(s) and/or any other adult living in the home who has resided in the provider home in the preceding 5 years satisfactorily met a child abuse and neglect registry check. In addition, the District did not maintain adequate documentation of the child's citizenship status or verification of age of child.

Effect

If the adoptive parent(s) and/or any other adult living in the home does not have a valid child abuse and neglect registry check for the service period in which the allowable cost was disbursed, the Adoption Assistance program is not in compliance with the program's eligibility requirements and the costs are no longer allowable for Federal reimbursement by the District. The lack of appropriate support for expenditures increases the risk of an unallowable cost being charged to the grant, resulting in noncompliance.

Recommendation

We recommend that the District maintain appropriate documentation supporting that the adoptive parent(s) and/or any other adult living in the home has a valid child abuse and neglect registry check. In addition, we recommend that the District adhere to existing policies and procedures to ensure proper maintenance of participant eligibility files to support allowable costs charged to the grant as well as the related eligibility determination.

Related Noncompliance

Material noncompliance

Questioned Costs

\$2,933

Views of Responsible Officials

Eligibility Files Finding Response: Child and Family Services Agency (CFSA) will adhere to existing policies and procedures to ensure proper maintenance of participant eligibility files to support allowable costs charged to the grant as well as the related eligibility determination, In addition to regularly monitoring the eligibility files, the Business Services Administration will complete an annual review of all IV -E-eligible eligibility files to ensure to ensure they are properly maintained and contained the appropriate documentation to support the related eligibility determination.

Verification of Perspective Adoptive Parent Finding Response: With respect to the 4 samples where the auditors were unable to verify that the prospective adoptive parent(s) and/or any other adult living in the

home who has resided in the provider home in the preceding 5 years satisfactorily met a child abuse and neglect registry check because the CPS clearances were not provided, CFSA notes that:

- In all four instances, the issue pertained to other adults living in the home and not the adoptive parents; and,
- While CFSA acknowledges that it did not produce the clearance documents themselves for these four samples, for two of these samples, CFSA provided alternative documentation allowed under federal guidance in ACYF-CB-PI-IO-02 (see page 4, Documentation Expectations for the NCID CRC Requirements). In these instances, CFSA provided court reports that indicated that the clearances for the individuals in question had been obtained and that the results of these clearances were not prohibitive with respect to finalizing the adoptions.

Birth Certificate Finding Response: Since 2007, the Adoptions Subsidy unit has been assuring that birth certificates are a part of the subsidy record by including a checklist of required information that is to be part of each record. In this instance, the case identified was for an adoption that occurred prior to 2007 and effective date of the checklist. Further, the child in this case was born in Maryland and obtaining a birth certificate would have required a court order.

KPMG's Response

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

<i>Finding Number</i>	2011-73
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Adoption Assistance (93.659)
<i>Federal Award Number</i>	1101DC1403 (10/1/2010-12/31/2010; 4/1/2011-6/30/2011) 1101DC1405 (1/1/2011-3/31/2011) 1101DC1407 (10/1/2010-9/30/2011)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS) (including ARRA expenditures)
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Reporting

Criteria

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

For reporting periods beginning October 1, 2010 or later: CB-496, *Title IV-E Programs Quarterly Financial Report (OMB No. 0970-0205)* – Title IV-E agencies report current expenditures and information on children assisted for the quarter that has just ended and estimates of expenditures and children to be assisted for the next quarter. Prior quarter adjustment (increasing and decreasing) expenditures applicable to earlier quarters must also be separately reported on this form.

Condition

We determined that the 2nd quarter *Form CB-496: Title IV-E Programs Quarterly Financial Report* submitted to the Department of Health and Human Services was inaccurate as it contained a mathematical error in the amount of \$22,000 for total costs reported.

Cause

Adequate review was not performed on the financial report to ensure that the financial reports submitted to Department of Health and Human Services were complete and accurate.

Effect

The District did not comply with the reporting requirements for the Adoption Assistance program.

Recommendation

We recommend that the District prepare accurate reports and implement a monitoring control to ensure that the Child and Family Services Agency adhere to its existing policies and procedures requiring a proper review of the reports submitted.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency (CFSA) will adhere to its existing policies and procedures requiring both the Agency Fiscal Office and the Business Services Administration to complete a proper review of the reports submitted to the Department of Health and Human Services to ensure accuracy and completeness. Specifically, the review will consist of an examination of the initial and any amended reports prior to submission by the Administrator of the Business Services Administration and the Agency Fiscal Officer.

<i>Finding Number</i>	2011-74
<i>Prior Year Finding Number</i>	2010-74
<i>Federal Program</i>	Children’s Health Insurance Program (93.767)
<i>Federal Award Number</i>	05-1005DC5021
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Healthcare and Finance (DHCF)
<i>Compliance Requirement</i>	Eligibility

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity’s internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...”

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

Per the Economic Security Administration (ESA) Policy Manual, Section 1.3, “All eligibility criteria and clarifying information are documented on the Record of Case Action, form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case by reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipients, the record should include the dates pay is received and how often the recipient is paid. When the recipient’s statement is the best available source, the record should include the application / recipient’s and agency efforts to verify the information. All address changes should be documented.”

Condition

For five (5) beneficiaries out of a sample of sample of 100 beneficiaries, the Economic Security Administration (ESA) did not maintain sufficient documentation in ACEDS to support the beneficiary’s eligibility determination.

Cause

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

Effect

Ineligible CHIP beneficiaries may receive benefits under the CHIP grant and the District may make payment on behalf of those beneficiaries.

Recommendation

We recommend that the District implement policies and procedures to improve the beneficiary eligibility determination management. We noted that the District is in the process of scanning all beneficiary files into the Digital Information Management System (DIMS), as an attempt to make the files management system electronic.

Related Noncompliance

Material noncompliance

Questioned Costs

\$706

Views of Responsible Officials

ESA reasserts its disagreement with the statement of condition finding that ESA was unable to provide sufficient documentation to support the beneficiary's eligibility determination as it pertains to two of the cases referenced: Specifically, regarding sample case, CHIP 1H-40, documentation was in DIMS and based on the information in DIMS, the customer's eligibility was correctly approved. In the second sample case, CHIP 2H-91, documentation in ACEDS that was erroneously deleted was retrieved and provided for review, and revealed that eligibility was correctly determined and payments for services were appropriately made.

ESA will continue to improve its beneficiary eligibility determination management through more efficient document management utilizing the DIMS process.

KPMG's Response

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

<i>Finding Number</i>	2011-75
<i>Prior Year Finding Number</i>	2010-75
<i>Federal Program</i>	Medical Assistance Program (93.775, 93.777, 93.778)
<i>Federal Award Number</i>	05-1105DC5ADM
	05-1105DC5MAP
	05-1105DCARRA
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Activities Allowed and Unallowed, Allowable Costs/Cost Principles

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity’s internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...”

The Office of Management and Budget (OMB) Circular A-87 – Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Paragraph 8.h.(3) states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.”

Condition

During internal control testwork over payroll expenditures, we noted that DHS did not complete the semi-annual OMB Circular A-87 certification for employees who charge 100% of their time to the Medicaid grant. DHS provided all of the certifications, but we noted that they were dated February 2012.

Cause

DHS did not consistently adhere to its existing policies and procedures for documentation of time and effort certifications for Medicaid employees in accordance with OMB Circular A-87.

Effect

DHS did not complete the OMB Circular A-87 certifications in a timely manner.

Recommendation

We recommend that the District implement and enforce internal controls around the time certification process for Medicaid program employees in order to ensure that DHS adheres to the time and effort certification requirements in OMB Circular A-87.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DHS agrees with the recommendations. DHS will in the future timely complete the A-87 semi-annual time certification.

<i>Finding Number</i>	2011-76
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Medical Assistance Program (93.775, 93.777, 93.778)
<i>Federal Award Number</i>	05-1105DC5ADM 05-1105DC5MAP 05-1105DCARRA
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Services (DHS) Office of Quality Assurance and Analysis (OQAA)
<i>Compliance Requirement</i>	Eligibility

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity’s internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10).

Condition

For one quality review file of a sample of 40 quality reviews, the Department of Human Services (DHS) supervisor responsible for the review did not sign the review worksheet. As a result, we selected 40 more sample items and found the following additional exceptions:

1. DHS was unable to provide supporting documentation for one review during the period under audit. According to District Officials this document was locked in an area that was sealed-off for renovation.
2. For two of the review files, the Office of Quality Assurance and Analysis (OQAA) did not sign and agree to the findings reported during the review process within 10 days as required by OQAA policy.

Cause

The District did not adhere to its policies and procedures for documentation of its quality control reviews and its policies regarding OQAA response for all findings within 10 days of submission.

Effect

The District did not retain adequate documentation to support that the quality control reviews are performed within District policies and procedures as an internal control over the Medicaid eligibility process.

Recommendation

We recommend that the District adhere to current policies and procedures for document retention. We also recommend that the District re-emphasize the importance of OQAA's timely response to findings.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

While the District is not opposed to the recommendations, it should be noted that there were not negative effects or costs associated with the minor omissions in procedures noted by the auditor.

The use of the worksheet is an internal quality control and tracking process, which is not federally mandated by Medicaid. In the one case noted, DHS maintains that the case review and the process of using the worksheet did occur, as indicated by the fact that the worksheet was dated, although not initialed by the supervisor. Further, there was no negative effect, as this case was deemed a correct case.

Additionally, the agreement with OQAA regarding the 10 day review process is not federally mandated. The process is mutually agreed upon and internal to ESA and OPRMI. This agreement allows for verbal communications between Quality Control (QC) and OQAA and gives QC the flexibility to move forward with case findings, if for some reason, OQAA does not respond to QC within or shortly after the 10 day period.

KPMG's Response

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

<i>Finding Number</i>	2011-77
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Medical Assistance Program (93.775, 93.777, 93.778)
<i>Federal Award Number</i>	05-1105DC5ADM
	05-1105DC5MAP
	05-1105DCARRA
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Healthcare and Finance (DHCF)
<i>Compliance Requirement</i>	Special Tests & Provisions – Provider Eligibility

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity’s internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

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

Condition

For three (3) of the 95 providers selected for testing, the file provided by the Office of Provider Services within the Department of Healthcare and Finance (DHCF) contained a copy of the provider agreement that was not signed by the District. We noted that in each of the exceptions there was a memo from the previous head of Provider Services which indicated that the reason the agreement was unsigned was because the providers were subject to a re-enrollment and that the agreements during the re-enrollment were not signed by the District and are covered instead by the memo. However, in these instances the agreement was related to a period outside of the dates noted for the re-enrollment period.

Cause

DHCF does not maintain sufficient documentation in the provider files, including provider agreements that are signed by both the provider and the District.

Effect

DHCF may remit payments to ineligible Medicaid providers.

Recommendation

We recommend that DHCF improve its process for maintaining complete information for Medicaid providers.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable. We noted that the provider files in question otherwise contained adequate documentation for enrollment. The three providers we identified were providers #1033100581, #1841439957, and #036357100.

Views of Responsible Officials

DHCF Division of Public and Private Provider Services is working with the fiscal agent on ensuring that each provider agreement scanned and filed has been signed by the agency. Furthermore, DHCF will work with the fiscal agent on conducting periodic spot audits to ensure that all active providers have signed provider agreements on file.

<i>Finding Number</i>	2011-78
<i>Prior Year Finding Number</i>	2010-77
<i>Federal Program</i>	HIV Emergency Relief Projects Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-21-04 (3/1/11-2/29/12) H89HA00012-20-01 (3/1/10-2/28/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Criteria

OMB Circular A-87 states the following:

“(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

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

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

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

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

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

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

Condition

We noted that an allocation of payroll expenditures for the entire HIV Emergency Relief Project Grants (HIVER) program is based on the budget for the year. Payroll costs for its personnel are allocated in its

in-house PeopleSoft Human Resources/Payroll System based on budgeted percentages at the beginning of the year for what management believes will be the respective employee's level of effort for each cost objective. PeopleSoft calculates and reports payroll costs on the Labor Distribution Report (485 Report) for each employee based on the predetermined allocation for each payroll cycle. However, management did not perform a periodic comparison (at least quarterly) of actual costs to the budgeted costs and make the necessary adjustment as required by OMB Circular A-87 B8 (h) when such method is used.

Therefore, we selected 65 payroll transactions, totaling \$94,418, of a population of \$1,858,843 including fringe benefits to obtain support for each employee's individual allocation rate and test for compliance with Activities Allowed or Unallowed & Allowable Costs/Cost Principles requirements. 65 of the employees' time sheets provided by management totaling \$94,418 did not indicate the number of hours worked on the HIVER program specifically to support each employee's allocation rate. The time sheets only indicated the total hours each employee worked during the payroll cycle in total across all grants.

Furthermore, we reviewed the time and effort certifications for FY 2011 for 6 months periods and noted that individual employee names were listed on the certification and approved, but the allocation rate was not noted on the certification. We further noted that the certification for employees working less than 100% of the time on the program was not properly completed. Management did not adequately maintain supporting documentation to determine if the rate in PeopleSoft is the approved rate or if the employee was working 100% of the time on the program. Therefore, payroll costs actually incurred for HIVER program could not be supported.

Cause

The District is not consistently adhering to existing policies and procedures requiring the maintenance of adequate supporting documentation of payroll costs.

Effect

Payroll charged to the grant on an individual employee basis is not in compliance with the Activities Allowed or Unallowed & Allowable Costs/Cost Principles compliance requirement.

Recommendation

We recommend that management institute policies and procedures to ensure that the HIV Emergency Relief Project Grants adheres to existing policies and procedures to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable. However, total payroll costs for HIVER in FY 2011 were \$1,858,843, including fringe benefits.

Views of Responsible Officials

DOH management concurs with this finding for HIV Emergency Relief Projects Grants (93.914).

DOH has sought improvement in this area based on the prior year's finding. DOH has convened an internal work group to develop a solution via Peoplesoft. DOH will enhance these existing controls to establish time distribution monitoring and random sampling to compare hours recorded in PeopleSoft and hours reported on time sheets by personnel assigned across multiple grants or cost objectives. DOH Time Distribution Sheets will be requested by DOH management and will be certified by the employee and responsible supervisor. DOH Human Resources will request and maintain all documentation for each payroll. DOH Office of Grants Management will routinely monitor implementation of this protocol.

<i>Finding Number</i>	2011-79
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Emergency Relief Projects Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-21-04 (3/1/11-2/29/12) H89HA00012-20-01 (3/1/10-2/28/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking

Criteria

Code 42 USC (U.S. Code) 300ff-14(h)(1) requires each political subdivision within eligible metropolitan areas (EMAs) and transitional grant areas (TGAs) to maintain its level of expenditures for HIV-related services to individuals with HIV disease (or, effective with FY2007 awards, core and support services) at a level equal to its level of such expenditures for the preceding fiscal year. Political subdivisions within the EMA or TGA may not use funds received under the HIV grants to maintain the required level of HIV-related services (42 USC 300ff-15(a)(1)(B) and (C)).

Condition

During internal control testwork over the Level of Effort – Maintenance of Effort (MOE) compliance requirement, we obtained and reviewed management’s report (“HAHASTA FRP – March 2011”) used and discussed during management’s monthly budget meetings to determine if they monitored their MOE status for FY 2010 and FY 2011 during FY 2011. We noted that the reports monitor locally funded expenditure levels in detail and federally funded expenditure levels in detail by grant number for each federal program. The report also contains a variance analysis between the budgeted expenditures, forecasted expenditures, and actual expenditures.

We also received one example of each bi-weekly report management uses to monitor expenditures: Purchase Order report (“Purchase Order Report by Program and Fund 8-26-11” and “Purchase Order Report by Grant 8-26-11”) that monitors each PO’s status by funding source (local or federal), and a summary report of each program’s activity (“Summary by Program Activity – Object 8-26-11” and “Grant Report by CSG 8-26-11”) that monitors the expenditures spent as of that point in time by agency initiative, funding source, and sub-object class code (i.e., Salaries, Other Contractual Services, etc.). It also compares the budgeted amount for each sub-object class code, YTD actual amount, and remaining balance. None of these reports compare the level of expenditures with prior year levels for the current year. Therefore, we determined that while they are monitoring their individual expenditures, they are not monitoring the progress of the expenditures spent throughout the year in comparison with prior year levels to ensure that they are compliant with the MOE requirement.

We also obtained the MOE calculation that was submitted to HRSA in FY2011 that compares the level of expenditures in FY 2008 and FY 2009. Management did not maintain supporting documentation for some of the amounts presented in the calculation. Furthermore, of the documentation we did receive, we noted that the amounts related to the Food Bank were inaccurate since \$600K amounts were included for both FY 2008 and FY 2009.

Cause

Management had inadequately designed controls over the review of the MOE calculation, prior to submission and did not maintain adequate supporting documentation for the amounts presented on the

MOE calculation. There is also a lack of controls over the monitoring of the MOE levels during the current fiscal year.

Effect

The program is not in compliance with MOE requirements.

Recommendation

We recommend that management conduct a more robust review of the MOE calculations prior to it being submitted to HRSA including reviewing the supporting documentation with the calculation. Adequate policies and procedures also need to be established to monitor the current year's MOE calculation.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) does not concur with the finding regarding Level of Effort controls for HIV Emergency Relief Project Grants (93.914).

DOH asserts that current controls are adequate to monitor level of effort requirement for Ryan White grants. In point-of-fact, in preparation for each District fiscal year budget, DOH ensures that the HAHSTA portion of the final budget submission is prepared, reviewed and approved to sufficiently satisfy the HIV Care level of effort requirements.

Accordingly, routine review of HAHSTA's local expenditure activity by both HAHSTA Finance and DOH OCFO occurs throughout the fiscal year, which serves as a firm control for monitoring compliance with the applicable grant-mandated level of effort requirements. More specifically and as briefly detailed by the Auditors above, in conjunction with the bi-weekly reports of Local HAHSTA expenditures, DOH OCFO also convenes a monthly HAHSTA Budget Review Meeting with Program and DOH Office of Grants Management to discuss any on-going and anticipated Local HAHSTA expenditures that are associated with satisfaction of the level of effort requirements.

While HAHSTA does currently maintain hard copies of supporting documentation related to level of effort reporting, DOH Office of the Director via the Office of Grants Management has initiated an effort to begin maintaining electronic copies of all pertinent materials for grant reporting requirements.

KPMG's Response

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

<i>Finding Number</i>	2011-80
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Emergency Relief Projects Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-21-04 (3/1/11-2/29/12) H89HA00012-20-01 (3/1/10-2/28/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking

Criteria

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

Per 42 U.S. Code 300FF-14(c)(1), “unless waived by the Secretary, [Health and Human Services] (HHS) (or designee), not less than 75 percent of the amount remaining after reserving amounts for [eligible metropolitan areas] (EMA) or [transitional grant areas] (TGA) administration and a clinical quality management program shall be used to provide core medical services to eligible individuals in the eligible area (including services regarding the co-occurring conditions of those individuals).”

Per 42 U.S. Code 300ff-14(h)(1), “not more than 10 percent of the amounts awarded to the EMA or TGA may be used for administration at that level.”

Condition

We obtained the SF-425, *Federal Financial Report*, that was submitted in FY 2011 and noted that it was reviewed by the Agency Fiscal Officer. We also requested supporting documentation used to compile the information in the SF-425, including the information reflected in the Remarks section on the SF-425. We received general ledger detail and a supporting spreadsheet that compiled the total expenditures by category presented on the SF-425. However, we noted the following:

1. Management did not maintain adequate supporting documentation for \$31,125,304 out of total expenditures of \$31,244,467 reflected in the supporting spreadsheet; and
2. We agreed the supporting spreadsheet to the detailed information noted in the Remarks section on the SF-425 and noted that the total amount for Other Services was overstated by \$37,468 and the total amount for MAI was understated by \$37,468. However, the total expenditures per the report agreed to the supporting spreadsheet, without exception.

Compliance with Earmarking requirements are reported using the Remarks section of the SF-425. Therefore, based on the issues with the information with the SF-425 noted above, we were unable to obtain sufficient competent evidential matter to be able to test this compliance requirement for 2 of 2 earmarking requirements due to inadequate accounting records.

Cause

Management had inadequately designed controls over the review of the SF-425 prior to submission and did not maintain adequate supporting documentation for supporting spreadsheets used to calculate the amounts presented on the SF-425.

Effect

The program did not have an effective system of internal control in place to ensure compliance with the earmarking compliance requirement.

Recommendation

We recommend that management conduct a more robust review of the SF-425, *Federal Financial Report*, prior to it being submitted including reviewing the supporting documentation with report. We also recommend that supporting documentation be maintained and readily available for review upon request.

Related Noncompliance

Scope Limitation

Questioned Costs

Not determinable

Views of Responsible Officials

DOH management does not concur with this finding for HIV Emergency Relief grants as it pertains to inadequate documentation for the amounts reported on the SF-425 and as it pertains to HIV/AIDS, Hepatitis, STD, TB Administration (HAHSTA) having inadequate controls over review of the SF-425 report prior to submission.

In FY 2011 and currently, HAHSTA is subject to and responsive to HRSA “restricted drawdown” requirements which mandate that all personnel and non-personnel expenditures be reviewed by the HRSA Program Officers for fiscal and programmatic allowability (including thresholds) prior to the District receiving reimbursement from the grantor. For the period in question, all charges that were already approved and reimbursed by HRSA were incorporated into the Final SF-425. Additionally, HAHSTA and DOH OCFO both maintain supporting documentation that was submitted to HRSA to verify the legitimacy of the HIV Emergency Relief costs reported on the SF-425. Moving forward, DOH will implement a more structured and robust review of the SF-425 and obtain greater clarity from the grantor agency on the types of supporting documentation needed beyond the HIV Emergency Relief Grant Closeout Summary. While HAHSTA does currently maintain hard copies of supporting documentation related to grant close-out reporting, DOH Office of the Director has initiated an effort to begin maintaining electronic copies of all pertinent materials for grant reporting requirements.

HAHSTA is already addressing the need to strengthen this control area to ensure complete mathematical accuracy for all future SF-425 submissions. These measures include revised procedures for generating the Remarks section of the SF-425 that will eliminate the opportunity for human error in reporting amounts expended by service category, as well as, continued implementation (since February 2011) of a new Provider-Invoice approval process. The Provider-Invoice approval process provides a multi-tiered review, certification, and approval process tying back individual provider expenditures (via a “Subgrant Workbook”) to the aggregate total of all HIV Emergency Relief grant expenditures by service category (via a “Summary of Subgrant Expenditures” spreadsheet). The information is routinely monitored by the Care, Housing, & Support Services Bureau and supervisory managers for up-to-date data on costs

incurred, planned, and unobligated by District providers and Eligible Metropolitan Area (EMA) jurisdictions.

KPMG's Response

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

<i>Finding Number</i>	2011-81
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Emergency Relief Projects Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-21-04 (3/1/11-2/29/12) H89HA00012-20-01 (3/1/10-2/28/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Reporting

Criteria

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

45 CFR 92.20 (a) and (b) state: “(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards: (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

Per the grant agreement for award number H89HA00012-20, it states that:

The Federal Financial Report, [SF-425], will not be accepted unless the amount of expenditures for the three separate funding streams are reflected in the Remarks category of the SF-425 form, as listed below:

The Part A Formula Amount \$19,702,375,
The Part A Supplemental Amount \$8,993,990,
The Part A MAI Amount \$2,756,163.

Condition

We obtained the SF-425, *Federal Financial Report*, that was submitted in FY2011 and noted that it was reviewed by the Agency Fiscal Officer. We also requested supporting documentation used to compile the information in the SF-425, including the information reflected in the Remarks section on the SF-425. We received general ledger detail and a supporting spreadsheet that compiled the total expenditures by category presented on the SF-425. However, we noted the following:

1. Management did not maintain adequate supporting documentation for \$31,125,304 out of total expenditures of \$31,244,467 reflected in the supporting spreadsheet; and
2. We agreed the supporting spreadsheet to the detailed information noted in the Remarks section on the SF-425 and noted that the total amount for Other Services was overstated by \$37,468 and the total amount for MAI was understated by \$37,468. However, the total expenditures per the report agreed to the supporting spreadsheet, without exception.

Cause

Management had inadequately designed controls over the review of the SF-425 prior to submission and was unable to provide adequate supporting documentation for supporting spreadsheets used to calculate the amounts presented on the SF-425.

Effect

The SF-425 inaccurately reported the progress of the grant award.

Recommendation

We recommend that management conduct a more robust review of the SF-425, *Federal Financial Report*, prior to it being submitted including reviewing the supporting documentation with report. We also recommend that supporting documentation be maintained and readily available for review upon request.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health management does not concur with this finding for HIV Emergency Relief grants as it pertains to inadequate documentation for calculating amounts reported on the SF-425 and as it pertains to HIV/AIDS, Hepatitis, STD, TB Administration (HAHSTA) having inadequate controls over review of the SF-425 report prior to submission.

In FY 2011 and currently, HAHSTA is subject to and responsive to HRSA “restricted drawdown” requirements which mandate that all personnel and non-personnel expenditures be reviewed by the HRSA Program Officers for fiscal and programmatic allowability prior to the District receiving reimbursement from the grantor. For the period in question, all charges that were already approved and reimbursed by HRSA were incorporated into the Final SF-425. Additionally, HAHSTA and DOH OCFO both maintain supporting documentation that was submitted to HRSA to verify the legitimacy of the HIV Emergency Relief grant costs reported on the SF-425. Moving forward, DOH will implement a more structured and robust review of the SF-425 and obtain greater clarity from the grantor agency on the types of supporting documentation needed beyond the HIV Emergency Relief Grant Closeout Summary. While HAHSTA does currently maintain hard copies of supporting documentation related to grant close-out reporting,

DOH Office of the Director has initiated an effort to begin maintaining electronic copies of all pertinent materials for grant reporting requirements.

In response to the Finding of inadequate controls, be aware that since February 2011, HAHSTA's Grant Management procedures have included the Provider-Invoice approval process. The Provider-Invoice approval process provides a multi-tiered review, certification, and approval process tying back individual provider expenditures (via a "Subgrant Workbook") to the aggregate total of all HIV Emergency Relief grant expenditures by service category (via a "Summary of Subgrant Expenditures" spreadsheet). The information is routinely monitored by the Care, Housing, & Support Services Bureau and supervisory managers for up-to-date data on costs incurred, planned, and unobligated by District providers and Eligible Metropolitan Area (EMA) jurisdictions.

Therefore, through review via the HRSA Restricted Drawdown process and consistent implementation of the Provider-Invoice Approval process, sufficient controls have been established to ensure accurate review of the SF-425 prior to submission.

KPMG's Response

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

<i>Finding Number</i>	2011-82
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Emergency Relief Project Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-21-04 (3/1/11-2/29/12) H89HA00012-20-01 (3/1/10-2/28/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

45 CFR 92.40(a) states “Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.” Furthermore, 31 USC 7502(f)(2)(B) states that “each pass-through entity shall Monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means” to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Per 45 CFR 92.26(b)(3), grantees are to “ensure that appropriate corrective action is taken within six months after receipt of the [A-133] audit report in instance of noncompliance with Federal laws and regulations.”

Condition

We selected six (6) of a population of 30 subrecipients to test controls and compliance with subrecipient monitoring requirements. We noted the following:

1. For one (1) of 6 subrecipients tested, a grant site visit and a program site visit was not performed. Only an assessment was performed which is completed by the program officer to analyze the risk of the subrecipient being involved in the program based on monthly report submissions from the subrecipient and the subrecipient’s existing organization structure.
2. For six (6) of 6 subrecipients tested, we determined that the program does not track when the audit reports are received to determine if management followed up on any audit findings within six months after the subrecipient’s OMB Circular A-133 audit reports were received.

Cause

Management had inadequately designed policies and procedures for subrecipient monitoring, lack of effective enforcement of policies and procedures by the program, and lack of effective monitoring by management.

Effect

The District’s HIV Emergency Relief program is not in compliance with program requirements as a result of not ensuring that their subrecipients stay in compliance with program standards. Furthermore, without

adequate internal controls to ensure sufficient documentation is maintained, the HIV Emergency Relief program could not validate their management decisions on subrecipient audit findings within six months.

Recommendation

We recommend that policies and procedures are developed for management’s review periodically during the year of the subrecipient monitoring process. The policies and procedures should include a checklist to document what was reviewed, who reviewed, and when. Management should also develop policies and procedures to ensure employees are enforcing HAHSTA’s policies and procedures appropriately and timely and consider it during the annual performance process.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding regarding compliance with subrecipient monitoring requirements for HIV Emergency Relief Project Grants (93.914).

DOH Office of Grants Management is in the process of reissuing policies and procedures for monitoring DOH-issued grant awards, inclusive of existing city-wide and DOH mandates to develop for each DOH-issued grant a mandatory risk/capacity-assessment, a risk-based monitoring plan, sit visits schedules with reports, and a performance rating. Compliance with these core elements and standards for monitoring DOH-issued grants will be integrated into individual performance plans of responsible program and grants management personnel assigned to monitor DOH-issued grant awards.

DOH currently documents submission of A-133 reports from grantees for which this requirement is applicable, but will immediately reinforce internal controls so that receipt of these reports are documented with a date stamp and signature receipt by the responsible employee. This will ensure that DOH can document the timeline for establishing corrective actions in compliance with A-133 requirements.

<i>Finding Number</i>	2011-83
<i>Prior Year Finding Number</i>	2010-82
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	6 X07HA00045-21-01 (4/1/11-3/31/12) 2 X07HA00045-20-00 (4/1/10-3/31/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Criteria

OMB Circular A-87 states the following:

“(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

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

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

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

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

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

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

Condition

We noted that an allocation of payroll expenditures for the entire HIV Care Formula Grant (HIV Care) program is based on the budget for the year. Payroll costs for its personnel are allocated in its in-house

PeopleSoft Human Resources/Payroll System based on budgeted percentages at the beginning of the year for what management believes will be the respective employee's level of effort for each cost objective. PeopleSoft calculates and reports payroll costs on the Labor Distribution Report (485 Report) for each employee based on the predetermined allocation for each payroll cycle. However, management did not perform a periodic comparison (at least quarterly) of actual costs to the budgeted costs and make the necessary adjustment as required by OMB Circular A-87 B8 (h) when such method is used.

Therefore, we selected 65 payroll transactions, totaling \$102,738, of a population of \$2,377,485 including fringe benefits, to obtain support for each employee's individual allocation rate and test for compliance with Activities Allowed or Unallowed & Allowable Costs/Cost Principles requirements. Time sheets for 65 employees provided by management did not indicate the number of hours worked on the HIV Care program specifically to support each employee's allocation rate. The time sheets only indicated the total hours each employee worked during the payroll cycle in total across all grants.

Furthermore, we reviewed the time and effort certifications for FY2011 for 6 month periods and noted that individual employee names were listed on the certification and approved, but the allocation rate was not noted on the certification. We further noted that the item noting if an employee listed on the certification worked less than 100% of the time on the program was not completed, nor was there any notation next to the employee's name noting the approved allocation rate. Management did not adequately maintain supporting documentation to determine if the rate in PeopleSoft is the approved rate or if the employee was working 100% of the time on the program. Therefore, payroll costs actually incurred for the HIV Care program could not be supported.

Cause

The District is not consistently adhering to existing policies and procedures requiring the maintenance of adequate documentation of payroll costs.

Effect

Payroll charged to the grant on an individual employee basis is not in compliance with the Activities Allowed or Unallowed & Allowable Costs/Cost Principles compliance requirement.

Recommendation

We recommend that management institute policies and procedures to ensure that the HIV Care Formula Grant Program adheres to existing policies and procedures to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable. However, total payroll costs for HIV Care in FY 2011 were \$2,377,485, including fringe benefits.

Views of Responsible Officials

DOH management concurs with this finding for the HIV Care Formula Grant (93.914).

DOH has sought improvement in this area based on the prior year's finding. DOH has convened an internal work group to develop a solution via PeopleSoft. DOH will enhance these existing controls to establish time distribution monitoring and random sampling to compare hours recorded in PeopleSoft and hours reported on time sheets by personnel assigned across multiple grants or cost objectives. DOH Time Distribution Sheets will be requested by DOH management and will be certified by the employee and responsible supervisor. DOH Human Resources will request and maintain all documentation for each payroll. DOH Office of Grants Management will routinely monitor implementation of this protocol.

<i>Finding Number</i>	2011-84
<i>Prior Year Finding Number</i>	2010-84
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	6 X07HA00045-21-01 (4/1/11-3/31/12) 2 X07HA00045-20-00 (4/1/10-3/31/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Eligibility

Criteria

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

42 U.S. Code 300ff-26(b) states, in order for a participant “to be eligible to receive assistance in the form of therapeutics, an individual must have a medical diagnosis of HIV/AIDS and be a low-income individual, as defined by the State.”

Condition

During testwork over the eligibility determination process for ADAP participants under the HIV Care program, we noted that the applicants submit a completed application with supporting documentation to the District’s HIV/AIDS, Hepatitis, STD, and TB Administration’s (HAHSTA) ADAP group.

For the initial eligibility determinations, the ADAP group reviews the completed application, certifications from the applicant’s physician, recommendations of the applicant’s case worker, and supporting documentation for various criteria for eligibility (i.e., DC residency, income, and assets). Once the applicant is determined eligible, the ADAP team member sets up the applicant’s profile within the 10 day processing period in the EMDEON system managed by Care Pharmacy.

For an eligible participant to be recertified, the applicant resubmits a new application, certifications from the applicant’s physician, recommendations from the applicant’s case worker, and supporting documentation for various criteria for eligibility (i.e., DC residency, income, and assets). Once the applicant is recertified as eligible, the ADAP team member sets up the applicant’s profile within the 10 day processing period in the EMDEON system managed by Care Pharmacy.

The pharmacies utilize EMDEON to determine if the individual requesting the HIV drugs at the pharmacy under the ADAP program was found eligible and records their use of the drugs. We determined that the ADAP group does not have a management review process or quality control process in place or documented in their policies and procedures to review the group’s eligibility determinations and recertifications.

We selected 65 participants to test compliance related to ADAP participants and noted the following results:

1. Five (5) participants out of 65 – The applicant did not present valid proof of residency.
2. Five (5) participants out of 65 – Applicant stated income on application but did not provide supporting documentation.

3. One (1) participant out of 65 – The type of program service provided to the applicant does not match the type of insurance coverage he/she has.

We noted that the total expenditures related to the replenishment of HIV drugs in the pharmacies to eligible participants totalled \$7,500,698 out of \$14,253,930 in FY 2011.

Cause

We noted that the Manager position in the ADAP group has been vacant for a year and 50% of the ADAP team has been working on projects outside of the ADAP group. We also noted that a review process was not included in current policies and procedures.

Effect

A lack of internal controls allowed a participant to be deemed eligible when they were not. Thus, the District's HIV Care program is not in compliance with eligibility program requirements.

Recommendation

We recommend that management improve its internal controls by developing policies and procedures for a quality control review by management of the eligibility determination process. The policies and procedures should document how many samples should periodically be reviewed from each employee, how management determined that the number of files reviewed is appropriate, and develop enforcement procedures if employee's are not enforcing HAHSTA's policies and procedures appropriately and timely. We also recommend that management develop a plan to implement these internal controls and procedures in a short staffed environment or increase staffing.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DOH Management concurs with the finding for the HIV Care Formula Grants (93.917) pertaining to weaknesses in internal controls for monitoring and assuring client eligibility for ADAP services. The HIV/AIDS, Hepatitis, STD and TB Administration (HAHSTA) will revise its ADAP procedures to include generating and maintaining the required documentation of eligibility review by responsible ADAP management and staff. DOH senior management will direct HAHSTA program leads to implement a checklist for quality control review by management and a sampling approach to monitor compliance of eligibility review. HAHSTA will select a testing model that is deemed to be satisfactory and in compliance with standards of the federal agreement. DOH Office of Grants Management will be responsible for internal compliance monitoring of this requirement and corrective actions for DOH program monitoring personnel and subcontractors.

<i>Finding Number</i>	2011-85
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	6 X07HA00045-21-01 (4/1/11-3/31/12) 2 X07HA00045-20-00 (4/1/10-3/31/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking

Criteria

Code 42 USC (U.S. Code) 300ff-27, “The State will maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Title II/Part B funds.”

Condition

During testwork over the Level of Effort – Maintenance of Effort (MOE) compliance requirement, we obtained and reviewed management’s report (“HAHSTA FRP – March 2011”) used and discussed during management’s monthly budget meetings to determine if they monitored their MOE status for FY 2010 and FY 2011 during FY 2011. We noted that the reports monitor locally funded expenditure levels in detail and federally funded expenditure levels in detail by grant number for each federal program. The report also contains a variance analysis between the budgeted expenditures, forecasted expenditures, and actual expenditures.

We also received one example of each bi-weekly report management uses to monitor expenditures: Purchase Order report (“Purchase Order Report by Program and Fund 8-26-11” and “Purchase Order Report by Grant 8-26-11”) that monitors each PO’s status by funding source (local or federal), and a summary report of each program’s activity (“Summary by Program Activity – Object 8-26-11” and “Grant Report by CSG 8-26-11”) that monitors the expenditures spent as of that point in time by agency initiative, funding source, and sub-object class code (i.e., Salaries, Other Contractual Services, etc.). It also compares the budgeted amount for each sub-object class code, YTD actual amount, and remaining balance. None of these reports compare the level of expenditures with prior year levels for the current year. Therefore, we determined that while they are monitoring their individual expenditures, they are not monitoring the progress of the expenditures spent throughout the year in comparison with prior year levels to ensure that they are compliant with the MOE requirement.

We also obtained the MOE calculation that was submitted to HRSA in FY 2011 that compares the level of expenditures in FY 2008 and FY 2009. Management did not maintain supporting documentation for all of the amounts presented in the calculation.

Cause

Management had inadequately designed controls over the review of the MOE calculation, prior to submission and did not maintain adequate supporting documentation for the amounts presented on the MOE calculation. Also there is a lack of controls over the monitoring of the MOE levels during the current fiscal year.

Effect

The program is not in compliance with MOE requirements.

Recommendation

We recommend that management conduct a more robust review of the MOE calculations prior to it being submitted to HRSA including reviewing the supporting documentation with the calculation. Adequate policies and procedures also need to be established to monitor the current year's MOE calculation.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) does not concur with the finding regarding Level of Effort controls for HIV Care Formula Grants (93.917). DOH asserts that current controls are adequate to monitor level of effort requirement for Ryan White grants. In point-of-fact, in preparation for each District fiscal year budget, DOH ensures that the HAHSTA portion of the final budget submission is prepared, reviewed and approved to sufficiently satisfy the HIV Care level of effort requirements.

Accordingly, routine review of HAHSTA's local expenditure activity by both HAHSTA Finance and DOH OCFO occurs throughout the fiscal year, which serves as a firm control for monitoring compliance with the applicable grant-mandated level of effort requirements. More specifically and as briefly detailed by the Auditors above, in conjunction with the bi-weekly reports of Local HAHSTA expenditures, DOH OCFO also convenes a monthly HAHSTA Budget Review Meeting with Program and DOH Office of Grants Management to discuss any on-going and anticipated Local HAHSTA expenditures that are associated with satisfaction of the level of effort requirements.

While HAHSTA does currently maintain hard copies of supporting documentation related to level of effort reporting, DOH Office of the Director via the Office of Grants Management has initiated an effort to begin maintaining electronic copies of all pertinent materials for grant reporting requirements.

KPMG's Response

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

<i>Finding Number</i>	2011-86
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	6 X07HA00045-21-01 (4/1/11-3/31/12) 2 X07HA00045-20-00 (4/1/10-3/31/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking

Criteria

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

Per 42 U.S. Code 300ff-28(b)(3)(E), “a State shall establish a quality management program to determine whether the services provided under the grant are consistent with the most recent Public Health Service guidelines for the treatment of HIV disease and related opportunistic infection and, as applicable, to develop strategies for bringing these services into conformity with the guidelines. Funds used for this purpose may not exceed the lesser of 5 percent of the amount received under the grant or \$3,000,000, and are not considered administrative expenses for purposes of the limitation under paragraph 3.b above.”

Condition

We obtained the SF-425, *Federal Financial Report*, that was submitted in FY2011 and noted that it was reviewed by the Agency Fiscal Officer. We also requested supporting documentation used to compile the information in the SF-425, including the information reflected in the Remarks section on the SF-425. We received general ledger detail and a supporting spreadsheet that compiled the total expenditures by category presented on the SF-425. However, management was unable to provide adequate supporting documentation for \$7,213,852 out of total expenditures of \$19,683,439 reflected in the supporting spreadsheet.

Furthermore, the information on the SF-425 reports compliance with various earmarking requirements for this program. Due to the issues identified above with the SF-425 report, we determined that the information on the SF-425 and any other supporting documentation provided did not support 1 of 8 earmarking requirements.

Cause

Inadequately designed controls over the review of the SF-425 prior to submission and unable to provide adequate supporting documentation for supporting spreadsheets used to calculate the amounts presented on the SF-425.

Effect

The SF-425 inaccurately reported the progress of the grant award. Additionally, certain information in the Remarks section is used by management to ensure compliance with some of the program’s earmarking requirements.

Recommendation

We recommend that management conduct a more robust review of the SF-425 prior to it being submitted including reviewing the supporting documentation with report. We also recommend that supporting documentation be maintained and readily available for review upon request.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DOH management does not concur with this finding for HIV Care Formula grants as it pertains to inadequate documentation for the amounts reported on the SF-425 and as it pertains to HIV/AIDS, Hepatitis, STD, TB Administration (HAHSTA) having inadequate controls over review of the SF-425 report prior to submission.

In FY 2011 and currently, HAHSTA is subject to and responsive to HRSA “restricted drawdown” requirements which mandate that all personnel and non-personnel expenditures be reviewed by the HRSA Program Officers for fiscal and programmatic allowability (including thresholds) prior to the District receiving reimbursement from the grantor. For the period in question, all charges that were already approved and reimbursed by HRSA were incorporated into the Final SF-425. Additionally, HAHSTA and DOH OCFO both maintain supporting documentation that was submitted to HRSA to verify the legitimacy of the HIV Care costs reported on the SF-425. Moving forward, DOH will implement a more structured and robust review of the SF-425 and obtain greater clarity from the grantor agency on the types of supporting documentation needed beyond the HIV Care Grant Closeout Summary. While HAHSTA does currently maintain hard copies of supporting documentation related to grant close-out reporting, DOH Office of the Director has initiated an effort to begin maintaining electronic copies of all pertinent materials for grant reporting requirements.

DOH does, however, agree with the exception noted by the auditor regarding the inaccuracy of the supporting spreadsheets for the HIV Care Grant Year 20 SF-425; a mathematical error was made at the time of submission, resulting in an inadequate tie back of the expenditures to categories outlined in the SF-425. HAHSTA is already addressing this control weakness to ensure complete mathematical accuracy for all future SF-425 submissions. These measures include continued implementation (since February 2011) of a new Provider-Invoice approval process. The Provider-Invoice approval process provides a multi-tiered review, certification, and approval process tying back individual provider expenditures (via a “Subgrant Workbook”) to the aggregate total of all HIV Care grant expenditures by service category (via a “Summary of Subgrant Expenditures” spreadsheet). The information is routinely monitored by the Care, Housing, & Support Services Bureau and supervisory managers for up-to-date data on costs incurred, planned, and unobligated by District providers and Eligible Metropolitan Area (EMA) jurisdictions.

KPMG’s Response

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

<i>Finding Number</i>	2011-87
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	6 X07HA00045-21-01 (4/1/11-3/31/12) 2 X07HA00045-20-00 (4/1/10-3/31/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Reporting

Criteria

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

45 CFR 92.20 (a) and (b) state: “(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards: (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

Per the grant agreement for award #6 X07HA00045-21, it states:

The annual Federal Financial Report must include State Matching Funds if required. In addition, the grantee must report separately the ADAP Earmark funds. The funds must be reported in the Remarks section. The following subset of information is required:

- (a) Outlays – ADAP funds,
- (b) Unliquidated Obligations – ADAP funds,
- (c) Total Federal Share – ADAP funds,
- (d) Unobligated Balance – ADAP funds.

Condition

We obtained the SF-425, *Federal Financial Report*, which was submitted in FY2011 and noted that it was reviewed by the Agency Fiscal Officer. We also requested supporting documentation used to compile the information in the SF-425, including the information reflected in the Remarks section on the SF-425. We received general ledger detail and a supporting spreadsheet that compiled the total

expenditures by category presented on the SF-425. However, management did not maintain adequate supporting documentation for \$7,213,852 out of total expenditures of \$19,683,439 reflected in the supporting spreadsheet.

Cause

Management had inadequately designed controls over the review of the SF-425 prior to submission and did not maintain adequate supporting documentation for supporting spreadsheets used to calculate the amounts presented on the SF-425.

Effect

The SF-425 inaccurately reported the progress of the grant award.

Recommendation

We recommend that management conduct a more robust review of the SF-425 prior to it being submitted including reviewing the supporting documentation with report. We also recommend that supporting documentation be maintained and readily available for review upon request.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) management does not concur with this finding for HIV Care Formula grants as it pertains to DOH having inadequate controls over management review of the SF-425 report prior to submission.

In FY 2011 and currently, HIV/AIDS, Hepatitis, STD, TB Administration (HAHSTA) has been subject to and responsive to HRSA's "restricted drawdown" requirements which mandate that all personnel and non-personnel expenditures be reviewed by the HRSA Program Officers for fiscal and programmatic allowability (including thresholds) prior to the District receiving reimbursement from the grantor. HAHSTA personnel have an internal review process to support preparation, review and approval of the detailed expenditure reports and maintenance of support documentation for this rigorous drawdown process. All submissions are reviewed by HAHSTA management and as acknowledged in this audit finding, by the Agency Fiscal Officer. Moving forward, HAHSTA will address the need to strengthen this internal control for management review of all future SF-425 submissions. These measures include continued implementation (since February 2011) of a new Provider-Invoice approval process which provides a multi-tiered review, certification, and approval process tying back individual provider expenditures to the aggregate total of all HIV Care grant expenditures by service category. Each tier provides for review and documented approval by a manager prior to submission of any reports to HRSA.

KPMG's Response

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

<i>Finding Number</i>	2011-88
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	6 X07HA00045-21-01 (4/1/11-3/31/12) 2 X07HA00045-20-00 (4/1/10-3/31/11)
<i>Federal Agency</i>	U.S. Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

45 CFR 92.40(a) states “Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.” Furthermore, 31 USC 7502(f)(2)(B) states that “each pass-through entity shall Monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means” to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Per 45 CFR 92.26(b)(3), grantees are to “ensure that appropriate corrective action is taken within six months after receipt of the [A-133] audit report in instance of noncompliance with Federal laws and regulations.”

Condition

We selected five (5) out of a population of 18 subrecipients to test controls and compliance with subrecipient monitoring requirements. We noted the following:

1. For 5 subrecipients, the program did not track when the audit reports were received to determine if management followed up on any audit findings within 6 months after the subrecipients’ OMB Circular A-133 audit reports were received.
2. Out of 5 subrecipients tested for compliance for their site visits, we determined:
 - For 1 subrecipient, a grant site visit and a program site visit was not performed. Only an assessment was performed which is completed by the program officer to analyze the risk of the subrecipient being involved in the program based on monthly report submissions from the subrecipient and the subrecipient’s existing organization structure.
 - For 1 subrecipient, HAHSTA did not perform a complete site visit. HAHSTA did not review a sample of eligibility determinations to ensure that participants were appropriately found eligible or ineligible.

Cause

Management had inadequately designed policies and procedures for subrecipient monitoring, lack of effective enforcement of policies and procedures by the program, and lack of effective monitoring by management.

Effect

The District's HIV Care program is not in compliance with Subrecipient Monitoring compliance requirements. Furthermore, without adequate internal controls to ensure sufficient documentation is maintained, the HIV Care program could not validate their management decisions on subrecipient audit findings within six months.

Recommendation

We recommend that policies and procedures are developed for management's review periodically during the year of the subrecipient monitoring process. The policies and procedures should include a checklist to document what was reviewed, who reviewed, and when. Management should also develop policies and procedures to ensure employees are enforcing HAHSTA's policies and procedures appropriately and timely and consider it during the annual performance process.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding regarding compliance with subrecipient monitoring requirements for HIV Care Formula Grants (93.917).

DOH Office of Grants Management is in the process of reissuing policies and procedures for monitoring DOH-issued grant awards, inclusive of existing city-wide and DOH mandates to develop for each DOH-issued grant a mandatory risk/capacity-assessment, a risk-based monitoring plan, site visits schedules with reports, and a performance rating. Compliance with these core elements and standards for monitoring DOH-issued grants will be integrated into individual performance plans of responsible program and grants management personnel assigned to monitor DOH-issued grant awards.

DOH currently documents submission of A-133 reports from grantees for which this requirement is applicable, but will immediately reinforce internal controls so that receipt of these reports are documented with a date stamp and signature receipt by the responsible employee. This will ensure that DOH can document the timeline for establishing corrective actions in compliance with A133 requirements.

Finding Number 2011-89
Prior Year Finding Number N/A
Federal Program Homeland Security Grant Program (97.067)
Federal Award Number 2010-SS-T0-0010, 2009-SS-T9-0085, 2008-GE-T8-0035
Federal Agency U.S. Department of Homeland Security (DHS)
District Department Homeland Security and Emergency Management Agency (HSEMA)
Compliance Requirement Reporting

Criteria

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

Biannual Strategy Implementation Reports (BSIR). Grantees are responsible for completing and submitting the BSIR reports as a complement to the SF-PPR. The BSIR is due within 30 days after the end of the reporting period (July 30 for the reporting period of January 1 through June 30; and January 30 for the reporting period of July 1 through December 31). Updated obligations and expenditure information must be provided within the BSIR to show progress made toward meeting strategic goals and objectives. The first BSIR is not due until at least six months after the award notice has been received by the grantee.

Condition

During our testing of the Biannual Strategy Implementation Report (BSIR) submissions for fiscal year 2011, we noted for all three BSIR reports, covering the fiscal years 2008, 2009, and 2010 grants, that the general ledger balance did not reconcile to expenditure balance reported.

Grant Award	Reporting period	Total expenditures per the BSIR report	Total expenditures per the General Ledger	Difference
08 HSGP	1/1/10-6/30/10	\$56,502,826	\$61,887,229	-\$5,384,403
09 HSGP	1/1/10-6/30/10	16,793,908	19,699,767	-2,905,859
10 HSGP	1/1/10-6/30/10	2,451,597	1,884,413	567,184

Cause

The reports are not properly reviewed to ensure that the financial information is accurate and properly supported. Per discussion with management, the differences between the BSIR and the general ledger were a result of failure to include intra-District transactions in the BSIR.

Effect

The District did not comply with the reporting requirements for the Homeland Security grant.

Recommendation

We recommend that management perform an effective second-level review of the BSIR report to ensure that the expenditures reported appropriately reconcile to the general ledger.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

HSEMA concurs with the condition of the finding; however HSEMA does not concur with the cause of the finding. HSEMA utilizes a two-step review process by which four financial managers work collectively as a team to update the expenditure balances in the BSIR report and the two senior financial managers review the report for inconsistencies. It is the two senior financial managers who are ultimately responsible for assigning all expenditures reported in the general ledger to sub-grantee activity; therefore, HSEMA believes it is sufficient for the final review to be performed by them.

To gain a better understanding of what caused this condition, HSEMA completed a detailed review of the variance between the general ledger and what was reported in the BSIR. During the review, HSEMA found that the cause for the discrepancy resulted in how intra-district activity was reported in the BSIR report. Based on this discovery, HSEMA's corrective action is to ensure there is a detailed analysis of the

Intra-district activity so that the expenditure balances captured in the BSIR report is based on what is recorded in the general ledger versus what is recorded at the intra-District project level.