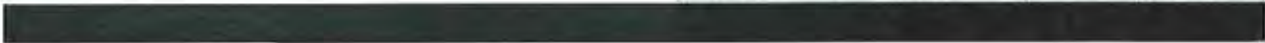




**Government of the
District of Columbia**



**Schedule of Expenditures of Federal
Awards and Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2006**

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Government of the District of Columbia

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** (the District), as of and for the year ended September 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2006-01 and 2006-02.

- I. District of Columbia Public Schools
- II. Management of the Medicaid Program

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2006-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.



However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2006-03 and 2006-04.

- III. Noncompliance with Procurement Regulations
- IV. Noncompliance with the Quick Payment Act

We also noted certain additional items involving the internal control over financial reporting and compliance and other matters, which we have reported to management of the District in a separate letter dated January 26, 2007. The status of the prior year instances of reportable conditions and material noncompliance is presented below:

Nature of Comment	Type of Comment in FY 2005	Current Year Status
Management of Disability Compensation Program	Reportable Condition	Advisory Comment
Unemployment Compensation Claimant File Management	Reportable Condition	Advisory Comment
Noncompliance with Procurement Regulations	Material Noncompliance	Material Noncompliance
Noncompliance with Quick Payment Act	Material Noncompliance	Material Noncompliance
Expenditures in Excess of Budgetary Authority	Material Noncompliance	Resolved
Noncompliance with Financial Institutions Deposit and Investment Amendment Act	Material Noncompliance	Advisory Comment

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

BDO Seidman, LLP

Washington, D.C.
January 26, 2007

(Except for management's responses to Finding 2006-01, as to which the date is March 9, 2007)



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

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

Compliance

We have audited the compliance of the Government of the District of Columbia (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

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

Finding No.	Compliance Requirement
2006-05	Allowable Costs
2006-06	Allowable Costs
2006-07	Allowable Costs
2006-08	Allowable Costs
2006-09	Allowable Costs
2006-10	Allowable Costs

Finding No. (cont'd)	Compliance Requirement (cont'd)
2006-11	Allowable Costs
2006-12	Allowable Costs
2006-13	Allowable Costs
2006-14	Allowable Costs
2006-15	Cash Management
2006-16	Cash Management
2006-17	Cash Management
2006-18	Cash Management
2006-19	Cash Management
2006-20	Cash Management
2006-21	Cash Management
2006-22	Cash Management
2006-27	Matching, Level of Effort, Earmarking
2006-28	Matching, Level of Effort, Earmarking
2006-29	Procurement, Suspension, and Debarment
2006-35	Subrecipient Monitoring
2006-36	Subrecipient Monitoring
2006-37	Subrecipient Monitoring
2006-38	Subrecipient Monitoring
2006-39	Subrecipient Monitoring
2006-40	Subrecipient Monitoring
2006-41	Special Tests and Provisions: Provider Eligibility
2006-42	Special Tests and Provisions: Utilization Control and Program Integrity
2006-46	Cash Management
2006-47	Cash Management
2006-48	Cash Management
2006-49	Eligibility
2006-52	Procurement, Suspension, and Debarment
2006-53	Procurement, Suspension, and Debarment
2006-54	Allowable Costs
2006-55	Procurement, Suspension, and Debarment
2006-56	Allowable Costs
2006-57	Allowable Costs
2006-58	Cash Management
2006-59	Eligibility
2006-60	Eligibility
2006-61	Period of Availability
2006-62	Procurement, Suspension, and Debarment
2006-63	Procurement, Suspension, and Debarment
2006-64	Reporting
2006-66	Allowable Costs
2006-67	Allowable Costs
2006-68	Cash Management
2006-70	Procurement, Suspension, and Debarment
2006-71	Program Income
2006-72	Reporting
2006-73	Special Tests and Provisions: Securing and Enforcing Medical Support



Finding No. (cont'd)	Compliance Requirement (cont'd)
2006-74	Special Tests and Provisions: Enforcement of Support Obligations
2006-75	Special Tests and Provisions: Provision of Child Support Services for Interstate Cases
2006-76	Special Tests and Provisions: Interstate Responding
2006-77	Cash Management
2006-78	Cash Management
2006-81	Special Tests and Provisions: Employer Experience Rating
2006-82	Allowable Costs
2006-83	Allowable Costs
2006-84	Cash Management
2006-85	Cash Management
2006-86	Eligibility
2006-87	Matching, Level of Effort, Earmarking
2006-88	Matching, Level of Effort, Earmarking
2006-89	Program Income
2006-90	Subrecipient Monitoring
2006-91	Special Tests and Provisions: Housing Quality Standards
2006-92	Allowable Costs
2006-93	Allowable Costs
2006-94	Allowable Costs
2006-95	Cash Management
2006-96	Cash Management
2006-97	Procurement, Suspension, and Debarment
2006-100	Subrecipient Monitoring
2006-101	Subrecipient Monitoring
2006-102	Special Tests and Provisions: Subgrant Awards
2006-103	Special Tests and Provisions: Subgrant Awards
2006-105	Allowable Costs
2006-106	Allowable Costs
2006-107	Allowable Costs
2006-108	Allowable Costs
2006-109	Allowable Costs
2006-110	Allowable Costs
2006-111	Allowable Costs
2006-112	Allowable Costs
2006-113	Allowable Costs
2006-114	Allowable Costs
2006-115	Allowable Costs
2006-116	Allowable Costs
2006-117	Cash Management
2006-118	Cash Management
2006-119	Cash Management
2006-120	Cash Management
2006-121	Cash Management



Finding No. (cont'd)	Compliance Requirement (cont'd)
2006-122	Eligibility
2006-123	Eligibility
2006-126	Eligibility
2006-134	Matching, Level of Effort, Earmarking
2006-135	Matching, Level of Effort, Earmarking
2006-136	Matching, Level of Effort, Earmarking
2006-137	Matching, Level of Effort, Earmarking
2006-138	Matching, Level of Effort, Earmarking
2006-139	Matching, Level of Effort, Earmarking
2006-140	Matching, Level of Effort, Earmarking
2006-141	Matching, Level of Effort, Earmarking
2006-142	Matching, Level of Effort, Earmarking
2006-143	Matching, Level of Effort, Earmarking
2006-144	Procurement, Suspension, and Debarment
2006-145	Procurement, Suspension, and Debarment
2006-146	Procurement, Suspension, and Debarment
2006-147	Procurement, Suspension, and Debarment
2006-148	Procurement, Suspension, and Debarment
2006-149	Reporting
2006-150	Reporting
2006-151	Reporting
2006-152	Reporting
2006-153	Reporting
2006-154	Subrecipient Monitoring
2006-155	Subrecipient Monitoring
2006-156	Subrecipient Monitoring
2006-157	Subrecipient Monitoring
2006-158	Special Tests and Provisions: Access to Federal Funds for New or Significantly Expanded Charter Schools
2006-159	Special Tests and Provisions: Access to Federal Funds for New or Significantly Expanded Charter Schools
2006-160	Special Tests and Provisions: Access to Federal Funds for New or Significantly Expanded Charter Schools
2006-161	Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals
2006-162	Special Tests and Provisions: Schoolwide Programs
2006-163	Special Tests and Provisions: Annual Accountability Report

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to in the first paragraph of this report that are applicable to each of its major federal programs for the year ended September 30, 2006, other than those discussed in the following paragraph.

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



Finding No.	Compliance Requirement
2006-23	Eligibility
2006-24	Eligibility
2006-25	Eligibility
2006-32	Reporting
2006-43	Allowable Costs
2006-44	Eligibility
2006-45	Special Tests and Provisions: Return of Title IV Funds
2006-50	Eligibility
2006-51	Eligibility
2006-79	Eligibility
2006-125	Eligibility

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-05 through 2006-163.

A material weakness is a reportable condition in which the design or operation of one or more of internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following items to be material weaknesses:

Finding No.	Compliance Requirement
2006-05	Allowable Costs
2006-06	Allowable Costs
2006-07	Allowable Costs
2006-10	Allowable Costs
2006-11	Allowable Costs
2006-12	Allowable Costs

Finding No. (cont'd)	Compliance Requirement (cont'd)
2006-13	Allowable Costs
2006-14	Allowable Costs
2006-15	Cash Management
2006-16	Cash Management
2006-18	Cash Management
2006-20	Cash Management
2006-21	Cash Management
2006-22	Cash Management
2006-29	Procurement, Suspension, and Debarment
2006-35	Subrecipient Monitoring
2006-36	Subrecipient Monitoring
2006-37	Subrecipient Monitoring
2006-38	Subrecipient Monitoring
2006-39	Subrecipient Monitoring
2006-40	Subrecipient Monitoring
2006-41	Special Tests and Provisions: Provider Eligibility
2006-42	Special Tests and Provisions: Utilization Control and Program Integrity
2006-46	Cash Management
2006-47	Cash Management
2006-48	Cash Management
2006-52	Procurement, Suspension, and Debarment
2006-53	Procurement, Suspension, and Debarment
2006-54	Allowable Costs
2006-56	Allowable Costs
2006-57	Allowable Costs
2006-58	Cash Management
2006-60	Eligibility
2006-61	Period of Availability
2006-62	Procurement, Suspension, and Debarment
2006-63	Procurement, Suspension, and Debarment
2006-66	Allowable Costs
2006-67	Allowable Costs
2006-68	Cash Management
2006-70	Procurement, Suspension, and Debarment
2006-71	Program Income
2006-73	Special Tests and Provisions: Securing and Enforcing Medical Support
2006-74	Special Tests and Provisions: Enforcement of Support Obligations
2006-75	Special Tests and Provisions: Provision of Child Support Services for Interstate Cases
2006-76	Special Tests and Provisions: Interstate Responding
2006-77	Cash Management
2006-78	Cash Management
2006-82	Allowable Costs

Finding No. (cont'd)	Compliance Requirement (cont'd)
2006-83	Allowable Costs
2006-86	Eligibility
2006-87	Matching, Level of Effort, Earmarking
2006-88	Matching, Level of Effort, Earmarking
2006-89	Program Income
2006-90	Subrecipient Monitoring
2006-91	Special Tests and Provisions: Housing Quality Standards
2006-92	Allowable Costs
2006-93	Allowable Costs
2006-94	Allowable Costs
2006-97	Procurement, Suspension, and Debarment
2006-100	Subrecipient Monitoring
2006-101	Subrecipient Monitoring
2006-105	Allowable Costs
2006-106	Allowable Costs
2006-107	Allowable Costs
2006-108	Allowable Costs
2006-109	Allowable Costs
2006-110	Allowable Costs
2006-111	Allowable Costs
2006-112	Allowable Costs
2006-113	Allowable Costs
2006-114	Allowable Costs
2006-117	Cash Management
2006-118	Cash Management
2006-119	Cash Management
2006-120	Cash Management
2006-121	Cash Management
2006-122	Eligibility
2006-123	Eligibility
2006-126	Eligibility
2006-134	Matching, Level of Effort, Earmarking
2006-135	Matching, Level of Effort, Earmarking
2006-136	Matching, Level of Effort, Earmarking
2006-137	Matching, Level of Effort, Earmarking
2006-138	Matching, Level of Effort, Earmarking
2006-139	Matching, Level of Effort, Earmarking
2006-140	Matching, Level of Effort, Earmarking
2006-143	Matching, Level of Effort, Earmarking
2006-145	Procurement, Suspension, and Debarment
2006-146	Procurement, Suspension, and Debarment
2006-148	Procurement, Suspension, and Debarment
2006-149	Reporting
2006-150	Reporting



Finding No. (cont'd)	Compliance Requirement (cont'd)
2006-151	Reporting
2006-152	Reporting
2006-153	Reporting
2006-154	Subrecipient Monitoring
2006-155	Subrecipient Monitoring
2006-156	Subrecipient Monitoring
2006-157	Subrecipient Monitoring
2006-158	Special Tests and Provisions: Access to Federal Funds for New or Significantly Expanded Charter Schools
2006-159	Special Tests and Provisions: Access to Federal Funds for New or Significantly Expanded Charter Schools
2006-160	Special Tests and Provisions: Access to Federal Funds for New or Significantly Expanded Charter Schools
2006-161	Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals
2006-162	Special Tests and Provisions: Schoolwide Programs
2006-163	Special Tests and Provisions: Annual Accountability Report

Schedules of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District), as of and for the year ended September 30, 2006, and have issued our report thereon dated January 26, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedules of Expenditures of Federal Awards are presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

BDO Seidman, LLP

Washington, D.C.
August 3, 2007

**Schedules of Expenditures
of Federal Awards**

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Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Health and Human Services		
Public Health and Social Services Emergency Fund	93.003	\$ 1,450,827
State and Territorial and Technical Assistance Capacity Development	93.006	275,650
Elder Abuse Prevention	93.041	36,555
Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	1,011,831
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	99,881
Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1,774,206
Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	2,888,733
Vital Statistics Re-engineering Program	93.066	115,184
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	714,549
Maternal and Child Health Federal Consolidated Programs	93.110	518,585
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	921,927
Primary Care Services-Resource Coordination and Development	93.130	78,688
Injury Prevention and Control Research and State and Community Based Programs	93.136	72,662
Projects for Assistance in Transition from Homelessness (PATH)	93.150	300,000
Planning Assistance Grant	93.184	118,863
Childhood Lead Poisoning Prevention Projects_State and Local	93.197	404,312
Consolidated Knowledge Development and Application (KD&A) Program	93.230	154,042
Abstinence Education	93.235	125,076
Substance Abuse and Mental Health Services	93.243	985,147
Universal Newborn Hearing Screening	93.251	184,255
State Planning Grant-Health Care Access for the Uninsured	93.256	163,243
Immunization Grants	93.268	1,510,935
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	16,706,259
RIMI	93.307	756,380
Cancer Centers Support	93.397	321,328
Promoting Safe and Stable Families	93.556	1,468,371
Temporary Assistance for Needy Families	93.558	76,123,270

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Child Support Enforcement	93.563	15,764,578
Refugee and Entrant Assistance-State Administered Programs	93.566	1,351,100
Low-Income Home Energy Assistance Program	93.568	8,227,732
Community Services Block Grant	93.569	10,748,895
Refugee and Entrant Assistance-Discretionary Grants	93.576	40,287
Strong Families - DC Kids	93.592	100,566
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	27,193,179
State Educational Training Voucher Program	93.599	270,123
Head Start - Direct Funding	93.600	6,904,818
Head Start - Pass-through Program from United Planning Organization	93.600	3,269,830
Election Assistance for Individuals with Disabilities	93.617	180,000
Developmental Disabilities Basic Support and Advocacy Grant	93.630	453,098
Children's Justice Act	93.643	73,431
Child Welfare Services-State Grants	93.645	237,000
Foster Care Title IV-E	93.658	13,243,276
Adoption Assistance	93.659	10,223,563
Social Services Block Grant	93.667	7,482,605
Child Abuse and Neglect State Grants	93.669	175,000
Family Violence Prevention & Services State Grants	93.671	700,243
Chafee Foster Care Independent Living	93.674	1,244,452
State Children's Health Insurance Program	93.767	7,876,287
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	77,995
Demonstration to Maintain Independence and Employment	93.769	3,691,443
State Medicaid Fraud Control Units	93.775	1,211,427
State Survey and Certification of Health Care Providers and Suppliers	93.777	3,107,663
Medical Assistance Program	93.778	962,248,081
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	1,405,057
Health Careers Opportunity Program	93.822	(97)
MBRS - Research	93.859	623,718
Minority Grantsmanship Systems	93.864	4,604
Residencies and Advanced Education in the Practice of General Dentistry	93.897	80,216
HIV Emergency Relief Project Grants	93.914	29,600,484
HIV Care Formula Grants	93.917	13,689,107

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1,395,200
US DHHS SDA Speech Pathology (GRAD)	93.925	63,015
Healthy Start Initiative	93.926	3,166,564
Improvements of the Health and Well-Being of Youth	93.938	155,775
HIV Prevention Activities	93.940	5,562,111
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,091,607
Assistance Programs for Chronic Disease Prevention and Control	93.945	308,243
D.C. Awareness and Care Program	93.951	352,773
Trauma EMS-Bioterrorism in Rural Areas	93.952	53,984
Block Grants for Community Mental Health Services	93.958	700,449
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7,141,428
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	940,080
Cooperative Agreements for State-Based Diabetes Control Programs	93.988	196,397
Preventive Health and Health Services Block Grant	93.991	366,815
Maternal and Child Health Services Block Grant to the States	93.994	7,158,094
Total U.S. Department of Health and Human Services		1,269,433,055
U.S. Department of Education		
State Adult Education	84.002	1,544,028
Title I Grants to Local Educational Agencies	84.010	46,640,798
Migrant Education-State Grant Program	84.011	22,544
Title I Program for Neglected and Delinquent Children	84.013	100,363
Special Education-Grants to States	84.027	10,654,056
Higher Education Institutional Aid	84.031	2,550,568
Job Locator Development	84.033	839,192
Impact Aid	84.041	1,472,874
TRIO-Student Support Services	84.042	416,553
TRIO-Talent Search	84.044	310,303
TRIO-Upward Bound	84.047	458,040
Vocational Education-Basic Grants to States	84.048	5,592,223
Federal Pell Grant Program	84.063	4,534,630
Leveraging Educational Assistance Partnership (LEAP)	84.069A	219,004
Minority Science Improvement	84.120	117,767

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Vocational Rehabilitation Grants to States	84.126	12,556,740
Rehabilitation Services-Client Assistance Program	84.161	120,762
Emergency Immigrant	84.162	(520)
Independent Living-State Grants	84.169	296,289
Special Education-Preschool Grants	84.173	88,262
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	225,000
Special Education-Grants for Infants and Families with Disabilities	84.181	2,095,291
Byrd Honors Scholarships	84.185	62,903
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,655,490
Supported Employment Services for Individuals with Severe Disabilities	84.187	210,888
Even Start-State Educational Agencies	84.213	755,127
Partnership in Character Education-Teaching Traditional History-Smaller Learning Community	84.215	452,100
Assistive Technology	84.224	407,581
Vocational Education-Tech Prep	84.243	350,018
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	25,099
State Student Incentive Grant/Supplement	84.281	353,363
Charter Schools	84.282	3,646,558
Twenty-First Century Community Learning Centers	84.287	4,473,422
Foreign Language Assistance	84.293	181,247
Title VII-Innovative Education Program	84.298	997,407
Education Technology State Grants	84.318	2,507,955
State Program Improvement - Special Education	84.323	1,122,862
Advanced Placement Program	84.330	70,048
Community Transition Program	84.331	90,809
Comprehensive School Reform Demonstration	84.332	1,188,396
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,087,688
Child Care Access Means Parents in School	84.335	(94)
Teacher Quality Enhancement Grants	84.336	522,502
Occupational and Employment Information State Grants	84.346	226,979
Transition to Teaching	84.350	872,574
Arts in Education	84.351	55,788
Title I Reading First State Grants	84.357	3,595,184
Title III Language Acquisition State Grant	84.365	571,273
Math Science Partnership	84.366	870,494

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,

2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Title II Improving Teacher Quality	84.367	13,435,045
Title VI State Assessment and Related Activities	84.369	3,487,586
Hurricane Education Recovery	84.938	396,572
Total U.S. Department of Education		134,527,631
U.S. Department of Transportation		
Boating Safety	20.002	433,126
Highway Planning and Construction	20.205	109,499,954
National Motor Carrier Safety	20.218	1,079,330
Federal Transit – Metropolitan Planning Grants	20.505	899,988
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	298,958
State and Community Highway Safety	20.600	1,465,963
Fatal Accident Reporting	20.602	(736)
Pipeline Safety	20.700	139,678
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	73,484
Total U.S. Department of Transportation		113,889,745
U.S. Department of Housing and Urban Development		
Community Development Block Grants/Entitlement Grants	14.218	92,326,822
Emergency Shelter Grants Program	14.231	80,074
Shelter Plus Care	14.238	391,649
HOME Investment Partnerships Program	14.239	6,959,495
Housing Opportunities for Persons with AIDS	14.241	12,330,716
National Fair Housing Training Academy	14.401	470,834
Fair Housing Assistance Program	14.408	137,670
Lead-Based Paint Hazard Control	14.900	521,624
Total U.S. Department of Housing and Urban Development		113,218,884
U.S. Department of Homeland Security		
Homeland Security	97.004	473,156
Urban Areas Security Initiative	97.008	41,303,188
Community Assistance Program	97.023	32,000
Crisis Counselling Immediate Service	97.032	47,184
Hurricane Katrina 2005	97.036	638,468
Emergency Management Performance Grant	97.042	1,103,209
Operations and Safety Program	97.044	446,412
Homeland Security Evaluation Program	97.066	98,266

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Year ended September 30,

2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Homeland Security	97.067	27,675,105
MAP Modernization Management Support	97.070	32,425
Total U.S. Department of Homeland Security		71,849,413
U.S. Department of Agriculture		
Agricultural Experiment Station	10.203	587,435
CES Determinants of Childhood Obesity	10.302	3,538
CES D.C. Food Handler Certification	10.303	3,054
Cooperative Extension Service	10.500	1,196,730
Food Stamps	10.551	806,607
School Breakfast Program	10.553	4,198,191
National School Lunch Program	10.555	15,022,954
Special Milk Program for Children	10.556	16,467
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12,294,035
Child and Adult Care Food Program	10.558	4,012,461
Summer Food Service Program for Children	10.559	3,270,534
State Administrative Expenses for Child Nutrition	10.560	452,155
State Administrative Matching Grants for Food Stamp Program	10.561	14,528,300
Commodity Supplemental Food Program	10.565	431,953
Emergency Food Assistance Program (Administrative Costs)	10.568	156,626
USDA-Nutrition Services	10.570	499,643
WIC Farmers Market Nutrition Program (FMNP)	10.572	353,764
Administrative Reviews and Training	10.574	83,041
Senior Farmers Market Nutrition Program	10.576	107,932
Cooperative Forestry Assistance	10.664	189,074
Total U.S. Department of Agriculture		58,214,494
U.S. Department of Labor		
Labor Force Statistics	17.002	748,299
Prices and Cost of Living Data	17.003	75,437
Compensation and Working Conditions	17.005	68,242
Employment Service	17.207	3,481,139
Unemployment Insurance	17.225	9,129,036
Senior Community Service Employment Program	17.235	825,576
One-Stop Career Center Initiative	17.257	206,674
WIA Adult Program	17.258	3,519,589
WIA Youth Activities	17.259	2,759,830

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
WIA Dislocated Workers	17.260	3,186,496
H-1B Technical Skills Training	17.261	(11,210)
Youth Opportunity Grants	17.263	6,932
Consultation Agreements	17.504	456,000
Disabled Veterans' Outreach Program (DVOP)	17.801	244,503
Local Veterans' Employment Representative Program	17.804	297,603
Total U.S. Department of Labor		24,994,146
U.S. Department of Justice		
Children Justice Act	13.669	12,839
Asset Forfeiture	16.000	1,057,856
State Domestic Preparedness Equipment Support Program	16.007	(178,453)
Arson and Explosive Task Force	16.012	(23,343)
Task Force on Human Trafficking	16.109	156,140
Serious and Violent Offender Reentry	16.202	672,810
Juvenile Accountability Incentive Block Grants	16.523	658,250
Title II Formula Grant - Administration	16.540	937,674
Gang Prevention	16.544	48,693
Title V Formula Grant	16.548	1,902
Challenge Grant	16.549	(2,093)
Paul Coverdell Forensic Science	16.550	74,258
Crime Victim Assistance	16.575	1,248,842
Byrne Formula Grant	16.579	4,203,535
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	3,809,629
STOP--Administration	16.587	924,601
Grants to Encourage Arrest Policies	16.590	314,760
Local Law Enforcement Block Grants Program	16.592	874,773
Residential Substance Abuse - Admin	16.593	788,778
Weed and Seed	16.595	(163,559)
Public Safety Partnership and Community Policing Grants	16.710	6,414,229
Enforcing Underage Drinking Laws Program	16.727	136,737
DNA Capacity Enhancement	16.741	238,260
DNA Casework	16.743	183,650
Total U.S. Department of Justice		22,390,768

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Social Security Administration		
Social Security – Disability Insurance	96.001	5,761,930
Social Security Research and Demonstration	96.007	67,127
Total Social Security Administration		5,829,057
Environmental Protection Agency		
Air Pollution Control Program Support	66.001	1,021,250
State Indoor Radon Grants	66.032	176,176
Water Pollution Control-State and Interstate Program Support	66.419	802,704
Water Quality Management Planning	66.454	83,394
Nonpoint Source Implementation Grants	66.460	821,738
Chesapeake Bay Program	66.466	536,194
Performance Partnership Grants	66.605	184,900
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	167,307
TSCA Title IV State Lead Grants–Certification of Lead Based Paint Professionals	66.707	314,292
Hazardous Waste Management State Program Support	66.801	147,278
State and Tribal Underground Storage Tanks Program	66.804	83,222
Leaking Underground Storage Tank-Trust Fund Program	66.805	236,443
Superfund State Core Program Cooperative Agreements	66.809	46,382
State and Tribal Response Program Grants	66.817	149,277
Total Environmental Protection Agency		4,770,557
Corporation for National and Community Service		
Retired and Senior Volunteer Program	94.002	177,719
State Commissions	94.003	53,667
Learn and Serve Community Based Program	94.004	583,428
AmeriCorps	94.006	1,920,673
Planning and Program Development Grants	94.007	116,204
Training and Technical Assistance	94.009	100,185
Senior Companion Program	94.016	307,365
Total Corporation for National and Community Service		3,259,241
National Endowment for the Arts		
Promotion of the Arts Grants to Organizations and Individuals	45.024	38,000
Promotion of the Arts-Partnership Agreements	45.025	524,739

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
State Library Program	45.310	790,234
Total National Endowment for the Arts		1,352,973
U.S. Department of Energy		
National Energy Information Center	81.039	6,920
State Energy Program	81.041	179,681
Weatherization Assistance for Low-Income Persons	81.042	835,056
Energy Efficiency Renewable Energy Information	81.117	6,337
State Energy Program-Special Projects	81.119	232,320
Total U.S. Department of Energy		1,260,314
U.S. Department of the Interior		
Sport Fish Restoration	15.605	601,492
State Wildlife Grants	15.634	61,661
USGS-WRRI Student Internship Program	15.805	72,023
Historic Preservation Fund Grants-In-Aid	15.904	414,997
Outdoor Recreation-Acquisition, Development, and Planning	15.916	1,224
Total U.S. Department of the Interior		1,151,397
Miscellaneous		
Equal Employment Opportunity	30.002	93,735
MUCERI	43.001	305,002
Stem Research and Training Center	47.076	452,170
Total Miscellaneous		850,907
U.S. Department of Defense		
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	(101,846)
National Guard Military Operations and Maintenance (O&M) Projects	12.401	877,761
Total U.S. Department of Defense		775,915
U.S. Department of Commerce		
Chesapeake Bay Studies	11.457	115,250
Atlantic Coastal Fisheries Cooperative Management	11.474	47,167
Police Service Area On-line	11.552	(16,971)
Total U.S. Department of Commerce		145,446

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Federal Emergency Management Agency		
FEMA 2004 Planning Grant	83.543	<u>118,182</u>
National Archives and Records Administration		
National Historical Publications and Records Grants	89.003	<u>36,147</u>
Total Expenditures of Federal Awards		\$ 1,828,068,272

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Schedule of Expenditures of Federal Awards - by District Agency

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 12,294,035
State Administrative Matching Grants for Food Stamp Program	10.561	346,251
Commodity Supplemental Food Program	10.565	431,953
WIC Farmers Market Nutrition Program (FMNP)	10.572	353,764
Senior Farmers Market Nutrition Program	10.576	107,932
Chesapeake Bay Studies	11.457	115,250
Atlantic Coastal Fisheries Cooperative Management	11.474	47,167
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	(101,846)
Shelter Plus Care	14.238	391,649
Housing Opportunities for Persons with AIDS	14.241	12,330,716
Sport Fish Restoration	15.605	601,492
State Wildlife Grants	15.634	61,661
Compensation and Working Conditions	17.005	68,242
Air Pollution Control Program Support	66.001	1,021,250
State Indoor Radon Grants	66.032	176,176
Water Pollution Control-State and Interstate Program Support	66.419	802,704
Water Quality Management Planning	66.454	83,394
Nonpoint Source Implementation Grants	66.460	821,738
Chesapeake Bay Program	66.466	536,194
Performance Partnership Grants	66.605	184,900
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	167,307
TSCA Title IV State Lead Grants-Certification of Lead Based Paint Professionals	66.707	314,292
Hazardous Waste Management State Program Support	66.801	147,278
State and Tribal Underground Storage Tanks Program	66.804	83,222
Leaking Underground Storage Tank-Trust Fund Program	66.805	236,443
Superfund State Core Program Cooperative Agreements	66.809	46,382
State and Tribal Response Program Grants	66.817	149,277
Safe and Drug-Free Schools and Communities-State Grants	84.186	379,978
Public Health and Social Services Emergency Fund	93.003	1,450,827
State and Territorial and Technical Assistance Capacity Development	93.006	275,650
Vital Statistics Re-engineering Program	93.066	115,184
Maternal and Child Health Federal Consolidated Programs	93.110	518,585
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	921,927

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Primary Care Services-Resource Coordination and Development	93.130	78,688
Injury Prevention and Control Research and State and Community Based Programs	93.136	72,662
Childhood Lead Poisoning Prevention Projects_State and Local	93.197	404,312
Abstinence Education	93.235	125,076
Substance Abuse and Mental Health Services	93.243	290,876
Universal Newborn Hearing Screening	93.251	184,255
State Planning Grant-Health Care Access for the Uninsured	93.256	163,243
Immunization Grants	93.268	1,510,935
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	16,550,484
Refugee and Entrant Assistance-Discretionary Grants	93.576	47,427
State Children's Health Insurance Program	93.767	7,876,287
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	77,995
Demonstration to Maintain Independence and Employment	93.769	3,691,443
State Survey and Certification of Health Care Providers and Suppliers	93.777	3,107,663
Medical Assistance Program	93.778	946,755,617
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	1,000,525
HIV Emergency Relief Project Grants	93.914	29,600,484
HIV Care Formula Grants	93.917	13,689,107
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1,395,200
Healthy Start Initiative	93.926	3,166,564
HIV Prevention Activities	93.940	5,562,111
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,091,607
Assistance Programs for Chronic Disease Prevention and Control	93.945	308,243
Trauma EMS-Bioterrorism in Rural Areas	93.952	53,984
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7,141,428
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	940,080
Cooperative Agreements for State-Based Diabetes Control Programs	93.988	196,397
Preventive Health and Health Services Block Grant	93.991	366,815
Maternal and Child Health Services Block Grant to the States	93.994	7,158,094
Social Security Research and Demonstration	96.007	67,127
Total Department of Health		1,088,155,703

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Department of Human Services		
State Administrative Matching Grants for Food Stamp Program	10.561	14,182,049
Vocational Rehabilitation Grants to States	84.126	12,556,740
Rehabilitation Services-Client Assistance Program	84.161	120,762
Independent Living-State Grants	84.169	296,289
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	225,000
Special Education-Grants for Infants and Families with Disabilities	84.181	2,095,291
Supported Employment Services for Individuals with Severe Disabilities	84.187	210,888
Assistive Technology	84.224	407,581
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	25,099
Temporary Assistance for Needy Families	93.558	76,123,270
Refugee and Entrant Assistance-State Administered Programs	93.566	1,351,100
Community Services Block Grant	93.569	10,748,895
Strong Families - DC Kids	93.592	100,566
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	27,193,179
Head Start	93.600	123,805
Developmental Disabilities Basic Support and Advocacy Grant	93.630	453,098
Social Services Block Grant	93.667	7,482,605
Family Violence Prevention & Services State Grant	93.671	700,243
Health Care Financing Administration (Medicaid)	93.778	15,492,464
Social Security - Disability Insurance	96.001	5,761,930
Total Department of Human Services		175,650,854
D.C. Public Schools		
Title I Grants to Local Educational Agencies	84.010	46,640,798
Migrant Education-State Grant Program	84.011	22,544
Title I Program for Neglected and Delinquent Children	84.013	100,363
Special Education-Grants to States	84.027	10,654,056
Impact Aid	84.041	1,472,874
Vocational Education-Basic Grants to States	84.048	5,592,223
Emergency Immigrant	84.162	(520)
Special Education-Preschool Grants	84.173	88,262
Byrd Honors Scholarships	84.185	62,903

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<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,275,512
Even Start-State Educational Agencies	84.213	755,127
Partnership in Character Education-Teaching Traditional History-Smaller Learning Community	84.215	452,100
Vocational Education-Tech Prep	84.243	350,018
Charter Schools	84.282	3,646,558
Twenty-First Century Community Learning Centers	84.287	4,473,422
Foreign Language Assistance	84.293	181,247
Title VII-Innovative Education Program	84.298	997,407
Education Technology State Grants	84.318	2,507,955
State Program Improvement - Special Education	84.323	1,122,862
Advanced Placement Program	84.330	70,048
Comprehensive School Reform Demonstration	84.332	1,188,396
Teacher Quality Enhancement Grants	84.336	522,502
Occupational and Employment Information State Grant	84.346	226,979
Transition to Teaching	84.350	532,563
Arts in Education	84.351	55,788
Title I Reading First State Grants	84.357	3,595,184
Title III Language Acquisition State Grant	84.365	571,273
Math Science Partnership	84.366	870,494
Title II Improving Teacher Quality	84.367	13,199,956
Title VI State Assessment and Related Activities	84.369	3,487,586
Hurricane Education Recovery	84.938	396,572
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	155,775
Refugee and Entrant Assistance-Discretionary Grants	93.576	(7,140)
Head Start - Direct Funding	93.600	6,622,592
Head Start - Pass-through Program from United Planning Organization	93.600	3,269,830
Improvements of the Health and Well-Being of Youth	93.938	155,775
Total D.C. Public Schools		115,309,884
Department of Public Works		
Cooperative Forestry Assistance	10.664	189,074
Highway Planning and Construction	20.205	109,499,954
Federal Transit - Metropolitan Planning Grants	20.505	899,988
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	298,958

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
State and Community Highway Safety	20.600	1,465,963
Total Department of Public Works		112,353,937
Department of Housing and Community Development		
Community Development Block Grants/Entitlement Grants	14.218	92,326,822
Emergency Shelter Grants Program	14.231	80,074
HOME Investment Partnerships Program	14.239	6,959,495
Lead-Based Paint Hazard Control	14.900	521,624
Total Dept. of Housing and Comm. Development		99,888,015
Office of the City Administrator		
Childrens Justice Act	13.669	12,839
Serious Violent Offender Reentry	16.202	672,810
Juvenile Accountability Incentive Block Grants	16.523	658,250
Title II Formula Grant - Administration	16.540	937,674
Title V Formula Grant	16.548	1,902
Challenge Grant	16.549	(2,093)
Paul Coverdell Forensic Science	16.550	74,258
Crime Victim Assistance	16.575	1,248,842
Byrne Formula Grant	16.579	4,198,407
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	3,809,629
STOP--Administration	16.587	924,601
Grants to Encourage Arrest Policies	16.590	314,760
Local Law Enforcement Block Grants Program	16.592	745,981
Residential Substance Abuse - Admin	16.593	788,778
Weed and Seed	16.595	(91,546)
Homeland Security	97.004	473,156
Urban Areas Security Initiative	97.008	41,303,188
Emergency Management Performance Grant	97.042	1,103,209
Homeland Security Evaluation Program	97.066	98,266
Homeland Security	97.067	27,675,105
Total Office of the City Administrator		84,948,016
State Education Office		
School Breakfast Program	10.553	4,198,191
National School Lunch Program	10.555	15,022,954
Special Milk Program for Children	10.556	16,467
Child and Adult Care Food Program	10.558	4,012,461

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Summer Food Service Program for Children	10.559	3,270,534
State Administrative Expenses for Child Nutrition	10.560	452,155
Emergency Food Assistance Program (Administrative Costs)	10.568	156,626
Administrative Reviews and Training	10.574	83,041
Leveraging Educational Assistance Partnership (LEAP)	84.069A	219,004
State Student Incentive Grant/Supplement	84.281	353,363
Community Transition Program	84.331	90,809
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,087,688
Title II Improving Teacher Quality	84.367	235,089
Total State Education Office		29,198,382
Child and Family Services Agency		
Promoting Safe and Stable Families	93.556	1,468,371
State Educational Training Voucher Program	93.599	270,123
Children's Justice Act	93.643	73,431
Child Welfare Services-State Grants	93.645	237,000
Foster Care Title IV-E	93.658	13,243,276
Adoption Assistance	93.659	10,223,563
Child Abuse and Neglect State Grants	93.669	175,000
Chafee Foster Care Independent Living	93.674	1,244,452
Total Child and Family Services Agency		26,935,216
Department of Employment Services		
Labor Force Statistics	17.002	748,299
Prices and Cost of Living Data	17.003	75,437
Employment Service	17.207	3,481,139
Unemployment Insurance	17.225	9,129,036
Senior Community Service Employment Program	17.235	825,576
One-Stop Career Center Initiative	17.257	206,674
WIA Adult Program	17.258	3,519,589
WIA Youth Activities	17.259	2,759,830
WIA Dislocated Workers	17.260	3,186,496
Youth Opportunity Grants	17.263	6,932
Consultation Agreements	17.504	456,000
Disabled Veterans' Outreach Program (DVOP)	17.801	244,503
Local Veterans' Employment Representative Program	17.804	297,603
Total Department of Employment Services		24,937,114

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2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
University of the District of Columbia		
Agricultural Experiment Station	10.203	587,435
CES Determinants of Childhood Obesity	10.302	3,538
CES D.C. Food Handler Certification	10.303	3,054
Cooperative Extension Service	10.500	1,196,730
USGS-WRRI Student Internship Program	15.805	72,023
H-1B Technical Skills Training	17.261	(11,210)
MUCERI	43.001	305,002
Stem Research and Training Center	47.076	452,170
State Adult Education	84.002	1,544,028
Higher Education Institutional Aid	84.031	2,550,568
Job Locator Development	84.033	839,192
TRIO-Student Support Services	84.042	416,553
TRIO-Talent Search	84.044	310,303
TRIO-Upward Bound	84.047	458,040
Federal Pell Grant Program	84.063	4,534,630
Minority Science Improvement	84.120	117,767
Child Care Access Means Parents in School	84.335	(94)
HBCU - Transition to Teaching	84.350	340,011
RIMI	93.307	756,380
Cancer Centers Support	93.397	321,328
Head Start	93.600	158,421
Health Careers Opportunity Program	93.822	(97)
MBRS - Research	93.859	623,718
Minority Grantsmanship Systems	93.864	4,604
US DHHS SDA Speech Pathology (GRAD)	93.925	63,015
Senior Companion Program	94.016	307,365
Total University of the District of Columbia		15,954,474
Office of the Attorney General		
Child Support Enforcement	93.563	15,764,578
D.C. Energy Office		
National Energy Information Center	81.039	6,920
State Energy Program	81.041	179,681
Weatherization Assistance for Low-Income Persons	81.042	835,056
Energy Efficiency Renewable Energy Information	81.117	6,337

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
State Energy Program-Special Projects	81.119	232,320
Low-Income Home Energy Assistance	93.568	8,227,732
Total D.C. Energy Office		9,488,046
Metropolitan Police Department		
Police Service Area On-line	11.552	(16,971)
Asset Forfeiture	16.000	1,057,856
Arson and Explosive Task Force	16.012	(23,343)
Task Force on Human Trafficking	16.109	156,140
Gang Prevention	16.544	48,693
Byrne Formula Grant	16.579	5,128
Local Law Enforcement Block Grants Program	16.592	128,792
Weed and Seed	16.595	(72,013)
Public Safety Partnership and Community Policing Grants	16.710	6,414,229
DNA Capacity Enhancement	16.741	238,260
DNA Casework	16.743	183,650
Boating Safety	20.002	433,126
National Motor Carrier Safety	20.218	759,291
Fatal Accident Reporting	20.602	(736)
Total Metropolitan Police Department		9,312,102
Office on Aging		
USDA-Nutrition Services	10.570	499,643
Elder Abuse Prevention	93.041	36,555
Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	1,011,831
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	99,881
Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1,774,206
Special Programs for the Aging_ Title III, Part C_Nutrition Services Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.045	2,888,733
D.C. Awareness and Care Program	93.779	119,921
	93.951	352,773
Total Office on Aging		6,783,543

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Office of the Mayor		
Retired and Senior Volunteer Program	94.002	177,719
State Commissions	94.003	53,667
Learn and Serve Community Based Program	94.004	583,428
AmeriCorps	94.006	1,920,673
Planning and Program Development Grants	94.007	116,204
Training and Technical Assistance	94.009	100,185
Total Office of the Mayor		<u>2,951,876</u>
Department of Mental Health		
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	714,549
Projects for Assistance in Transition from Homelessness (PATH)	93.150	300,000
Consolidated Knowledge Development and Application (KD&A) Program	93.230	154,042
Substance Abuse and Mental Health Services	93.243	694,271
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	284,611
Residencies and Advanced Education in the Practice of General Dentistry	93.897	80,216
Block Grants for Community Mental Health Services	93.958	700,449
Total Department of Mental Health		<u>2,928,138</u>
Office of Inspector General		
State Medicaid Fraud Control Units	93.775	1,211,427
D.C. National Guard		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	877,761
D.C. Public Library		
State Library Program	45.310	790,234
National Historical Publications and Records Grants	89.003	36,147
Total D.C. Public Library		<u>826,381</u>
Office of the Chief Financial Officer		
Food Stamps	10.551	806,607
Emergency Management Agency		
State Domestic Preparedness Equipment Support Program	16.007	(178,453)
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	73,484
FEMA 2004 Planning Grant	83.543	118,182
Community Assistance Program	97.023	32,000

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,

2006

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Crisis Counseling Immediate Service	97.032	47,184
Hurricane Katrina 2005	97.036	638,468
MAP Modernization Management Support	97.070	32,425
Total Office of Emergency Management Agency		763,290
Department of Human Rights		
National Fair Housing Training Academy	14.401	470,834
Fair Housing Assistance Program	14.408	137,670
Equal Employment Opportunity	30.002	93,735
Total Department of Human Rights		702,239
Commision on Arts and Humanities		
Promotion of the Arts Grants to Organizations and Individuals	45.024	38,000
Promotion of the Arts-Partnership Agreements	45.025	524,739
Total Commision on Arts and Humanities		562,739
Fire & Emergency Medical Services		
Operations and Safety Program	97.044	446,412
Office of Municipal Planning		
Historic Preservation Fund Grants-In-Aid	15.904	414,997
Department of Motor Vehicles		
National Motor Carrier Safety	20.218	320,039
Board of Elections & Ethics		
Election Assistance for Individuals with Disabilities	93.617	180,000
Public Service Commision		
Pipeline Safety	20.700	139,678
Deputy Mayor for Planning & Economic Development		
Enforcing Underage Drinking Laws Program	16.727	136,737
Department of Parks and Recreation		
Outdoor Recreation-Acquisition, Development, and Planning	15.916	1,224
Planning Assistance Grant	93.184	118,863
Total Department of Parks and Recreation		120,087
Total Expenditures of Federal Awards		\$ 1,828,068,272

Government of the District of Columbia

Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2006

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, 2006. HFA and WASA contract for separate audits in compliance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The federal awards for these two entities are excluded from the Schedules.

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

Basis of Presentation

The Schedules present total federal awards expended for each individual federal program in accordance with OMB Circular A-133. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the Catalog are identified by Federal Agency number followed by (.000).

Basis of Accounting

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

Matching Costs

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

2. Relationship to Federal Financial Reports

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

Government of the District of Columbia

Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2006

3. Federally
Funded Loan
Programs

Home Investment Partnership Program (CFDA # 14.239)

The amount in the accompanying schedules does not reflect \$25,868,274 of outstanding loans at September 30, 2006 as well as the value of new loans \$8,860,336 made during the fiscal year, less adjustments and principal payments of \$1,381,164.

Federal Perkins Loan Program (CFDA # 84.038)

The amount in the accompanying schedules includes the outstanding balance of loans receivable of \$1,596,205 at September 30, 2006.

Family Federal Education Loan Program (CFDA # 84.032)

The District, through the University of the District of Columbia (UDC), participates in the Federal Family Education Loans Program (FFELP), which includes the Federal Stafford Loan Program and the Federal Parents' Loans for Undergraduate Students Program. New loans, disbursed by lending institutions, were made to students enrolled at the University of the District of Columbia for \$4,987,860 during the year ended September 30, 2006; this amount is not included in the Schedules.

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

During fiscal year 2006, the District received cash rebates from infant formula manufacturers in the amount of approximately \$4.4 million on sales of formula to participants in the WIC program (CFDA #10.557), which are netted against total expenditures included in the Schedules. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

5. Research and
Development
Programs

The District receives and expends federal funding for various research and development programs. The aggregate amount of such expenditures for the year ended September 30, 2006, did not equal an amount that would constitute a major program under the guidelines of OMB Circular A-133.

Government of the District of Columbia

Notes to Schedules of Expenditures of Federal Awards Year Ended September 30, 2006

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 74,252,487
Urban Areas Security Initiative	97.008	37,539,663
Homeland Security Cluster	97.004 / 97.067	25,578,661
HIV Emergency Relief Project Grant	93.914	22,517,380
Housing Opportunities for Persons with AIDS	14.241	12,144,744
Title I Grants to Local Educational Agencies	84.010	9,016,438
HOME Investment Partnerships Program	14.239	5,721,227
Social Services Block Grant	93.667	4,295,311
Child and Adult Care Food Program	10.558	3,462,695
Charter Schools	84.282	3,445,754
HIV Care Formula Grants	93.917	3,108,124
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	3,046,233
Title II Improving Teacher Quality	84.367	2,411,242
HIV Prevention Activities	93.940	1,720,361
Special Education Cluster	84.027 / 84.173	1,486,403
Maternal and Child Health Services Block Grant to the States	93.994	1,144,562
Vocational Education-Basic Grants to States	84.048	695,240
Block Grant for Prevention and Treatment of Substance Abuse	93.959	640,554
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	450,000
Head Start	93.600	104,190

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Schedule of Findings and Questioned Costs

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
• Reportable condition(s) identified that are not considered to be material weakness(es)?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> none reported
• Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
• Reportable condition(s) identified that are not considered to be material weakness(es)?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> none reported

Except for CFDA Number 10.558, Child and Adult Care Food Program, CFDA Number 16.586, Violent Offender Incarceration and Truth in Sentencing Incentive Grants and CFDA Number 84.181, Special Education-Grants for Infants and Families with Disabilities, all other major programs as identified on pages 37 and 38 have at least one reportable condition.

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

Material noncompliance:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Person with AIDS
16.710	Public Safety Partnership and Community Policing Grants
17.207 17.801	Employment Service Cluster
17.804	

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.225	Unemployment Insurance
20.218	National Motor Carrier Safety
84.010	Title I Grants to Local Educational Agencies
84.027	84.173 Special Education Cluster
84.048	Vocational Education-Basic Grants to States
84.126	Vocational Rehabilitation Grants to States
84.282	Charter Schools
84.367	Title II Improving Teacher Quality State Grants
93.283	Centers for Disease Control and Prevention – Investigations/Technical Assistance
93.556	Promoting Safe and Stable Families
93.563	Child Support Enforcement
93.596	Child Care Mandatory & Matching Funds of the Child Care & Development Fund
93.600	Head Start
93.658	Foster Care – Title IV-E
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.775	93.777 Medical Assistance Program Cluster
93.778	
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant to the States
97.004	97.067 Homeland Security Cluster
97.008	Urban Areas Security Initiative

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

yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	
16.710	Public Safety Partnership and Community Policing Grant	
17.207	17.801 Employment Service Cluster	
17.804		
17.225		
20.218		
84.010	84.173 Title I Grants to Local Educational Agencies Special Education Cluster	
84.027		
84.031		
84.048	84.063 Higher Education Institutional Aid Vocational Education-Basic Grants to States	
84.033		
93.925	84.063 Student Financial Aid Cluster Vocational Rehabilitation Grants to States Special Education-Grants for Infants and Families with Disabilities Charter Schools Title II Improving Teacher Quality State Grants Centers for Disease Control and Prevention-Investigations/Technical Assistance Promoting Safe and Stable Families Child Support Enforcement Child Care Mandatory & Matching Funds of the Child Care & Development Fund Head Start Foster Care – Title IV-E Social Services Block Grant State Children's Health Insurance Program Medical Assistance Program Cluster HIV Emergency Relief Project Grants HIV Care Formula Grants HIV Prevention Activities Block Grants for Prevention and Treatment of Substance Abuse Maternal and Child Health Services Block Grant to the States	
84.126		
84.181		
84.282		
84.367		
93.283		
93.556		
93.563		
93.596		
93.600		
93.658		
93.667		
93.767		
93.775		
93.778		
93.914		
93.917		
93.940		
93.959		
93.994		
97.004		97.067 Homeland Security Cluster Urban Areas Security Initiative
97.008		

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

\$ 5,484,205

Auditee qualified as low-risk auditee?

_____ yes X no

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section II - Financial Statement Findings

2006-01 District of Columbia Public Schools (DCPS)

DCPS is currently home to 144 school sites which serve roughly 58,000 students across the District of Columbia.

DCPS is Classified as a "High Risk" School District

U.S. Department of Education:

In a letter dated April 21, 2006, the U.S. Department of Education cited DCPS as "high risk", due to systemic weaknesses. The issues cited include:

- a) Submission of untimely audits.
- b) Inadequate monitoring of federal funds.
- c) Inadequate documentation of salary charges.
- d) Insufficient support for charter school funding.

As a result, there is potential for DCPS to lose federal funding and it may be required to have a third party monitor its federal funds. It should also be noted that the U.S. Department of Education indicated that it would consider imposing penalties if no progress was made within a year's time.

Management's Revised Response (March 9, 2007):

DCPS takes the United States Department of Education "High Risk" designation very seriously and is committed to resolving all of the above issues.

Corrective Action Plan:

1. DCPS has established a task force that is working diligently to correct all issues that have placed DCPS under the "High Risk" designation.
2. DCPS/OCFO will put in place a comprehensive framework of internal controls, which will allow management to attain its objectives and meet its responsibilities. The controls will possess the following elements:
 - A favorable control environment;
 - Ongoing risk assessments;
 - Control-related policies and procedures;
 - Effective communication of information; and
 - Monitoring the effectiveness of internal controls and the resolution of potential problems identified by those controls

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

3. DCPS/OCFO management is truly committed to strengthening internal controls. The key element in a favorable control environment is the attitude of management.

4. In addition to the above, DCPS/OCFO has already established policies and procedures in the following areas:

- Student Activities Fund
- Imprest Fund (Petty Cash)
- Travel
- Central Investment Fund
- Flow of information in Accounts Payable
- Document Retention

a) The Office of the Chief Financial Officer is committed to engaging the federal audits on a timely basis to ensure timely submission. When necessary, extensions will be requested in time for approval before it is considered late.

b) In addition to performing financial monitoring of sub-recipients, timely (year-end) closeouts of sub-recipients agreements will identify any outstanding funds that need to be returned to the District. All close out reports will include the return of any left over cash that is still in the possession of the sub-recipient. This also addresses the deficiency of distributing more funds to recipients than is required in order to take care of "immediate cash needs." A review of monthly invoices would quickly identify excess funds that needed to be utilized or returned by the recipient. Further, beginning with the first quarter and on a monthly basis during the program year, expenditure reports shall be compared with the spending plan. When differences are plus or minus 15%, the sub-grantee shall be required to submit a corrective plan of action.

c) All required supporting payroll (costs) documents are collected and safeguarded by the Department of Human Resources at the time of application, orientation, and any open enrollment periods. A comprehensive cost allocation plan needs to be developed and applied to those employees/managers who are charged to one or more grants.

d) When an application package requesting funding for a new charter school is completed and approved by the SEA, the original packet (including the approval letter of the "Developer's Charter Application") will be filed in a locked filing cabinet; a copy will be made available for staff utilization. This will ensure that complete and accurate applicant documentation is maintained on file along with proof of funding eligibility.

District of Columbia Office of Inspector General:

In its fiscal year 2006 Audit and Inspection Plan, issued August 29, 2005, the Office of Inspector General (OIG) identified DCPS as one of six areas assessed as high risk in the District of Columbia. The distinction as high risk is defined by the OIG as "areas that present the highest risks to maintaining the District's fiscal integrity and continued financial strength." As a result of this assessment, the OIG decided to provide onsite presence at DCPS to conduct internal control reviews and assessments of issues throughout the year.

The OIG conducted various other audits throughout the course of fiscal year 2006. One audit at DCPS found overtime payments that were:

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

- a) Made for hours when basic pay should have been paid while employees were on official leave or holiday;
- b) Not properly authorized;
- c) Not authorized in advance;
- d) Not recorded in the period in which overtime was worked; and
- e) Lacking the required overtime request forms.

These conditions occurred because DCPS did not have adequate internal controls for processing overtime pay and sufficient management oversight was not exercised to ensure that processing overtime was effective and efficient. Also, adequate written policies and procedures were not provided to payroll staff to ensure that there was a complete understanding of the payroll process. As a result, there was no assurance that DCPS overtime payments were always valid, or that the overtime was needed to fulfill genuine work requirements.

Other areas the OIG audited included security service billings and the capital improvement campaign. These audits also revealed a systematic lack of policies and procedures, insufficient oversight of vendors, duplicate payment of invoices, lack of fee collections, and the inability to enforce contract provisions.

OIG has also considered DCPS as a high risk area in its fiscal year 2007 Audit and Inspection Plan, which was issued on August 31, 2006.

Management's Revised Response (March 9, 2007):

DCPS agrees with this finding and takes the issues identified very seriously. DCPS is committed to employing all resources to correct these findings.

Corrective Action Plan:

1. DCPS has established a task force that is working to correct all issues that have been placed under "High Risk" by the District of Columbia Inspector General. Members of this task force includes executives of DCPS, OCFO, and the Office of Integrity and Oversight of the District Chief Financial Officer. The task force is committed to the following:
 - DCPS will obtain DCOIG reports written/issued during FY 2006.
 - OIO will review corrective actions noted by DCPS and perform tests to ensure that the solution has been implemented.
 - The Office of Human Resources along with the CFO's office will create a task force to develop and create a Policy and Procedures Manual to address overtime issues. This manual will clearly state all areas of overtime, to include who may authorize, approve, and record overtime, as well as procedures to be followed during the holiday seasons when leave is at its heaviest level. In addition, leave forms will be assessed to determine if changes or modifications are required. The manual will be created using the DPM, DCMR, and the Superintendent Directives, and will be a user friendly guide. DVD will also be available.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Procurement Practices

During the audit process, we noted numerous deficiencies related to procurement practices:

- DCPS was cited for inadequately training staff and maintaining dual databases containing conflicting information.
- It was further determined that DCPS lacked written policies and procedures for procurement of goods and services for use in its facilities. This condition led to a system of missing or incomplete procurement files and delays and issues with both the issuance of bid requests and bid awards.

Our audit process noted the following specific deficiencies with procurement practices:

- One (1) of the eight (8) sampled purchase order (POs) were not provided by DCPS.
- Five (5) of the eight (8) sampled POs did not have an approved requisition order.
- Two (2) of the eight (8) sampled POs did not have evidence of City Council or School Board approval.
- One (1) of the ten (10) sampled sole source contracts was not provided by DCPS.
- Seven (7) of the ten (10) sampled sole source contracts did not have an approved requisition order.
- Two (2) of the ten (10) sampled sole source contracts did not have evidence of City Council or School Board approval.
- Two (2) of the ten (10) sampled sole source contracts had no evidence justifying the use of a sole source contractor.
- Further, DCPS was unable to provide an accurate population of purchase order modifications.

The lack of supporting documentation and not following a written set of policies and procedures can lead to expenses being incurred which are not allowed under both DCPS' internal policies and under the conditions of various Federal awards. Additionally, the disjointed systems in place at DCPS could result in higher costs. It can also lead to significant problems in its contracting practice.

Our understanding is that DCPS has currently not fully implemented corrective action to significantly improve its procurement practices which in turn, presents issues for the District of Columbia, as a whole.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Management's Revised Response (March 9, 2007):

Currently, the Office of Contracts and Acquisitions (OCA) has reconfigured its office, added additional personnel, developed performance measures, and implemented policies and procedures to strengthen the procurement process. In addition, OCA is working with the Office of Facilities Management, its process partner, to develop a constructive collaborative working relationship.

Recently, the Chief Procurement Officer has taken critical steps to shore up the written policies and procedures associated with the procurement of goods and services for DCPS. Procurement has hired a manager, whose sole role is to develop procedures, policies, and administrative issuances. In addition, performance measures have been developed and disseminated. All OCA employees are required to satisfy annual training requirements.

The Chief Procurement Officer has recognized that accurate and consistent documentation is critical to the procurement process. OCA employees have been directed to keep and maintain their files in a consistent manner. There has been an administrative directive issued exclusively addressing the establishment and maintenance of contract files.

The Chief Procurement Officer has informed all employees that any deviation from the procurement regulations Title 27DCMR, including Chapter 17, that addressed emergency procurements will not be tolerated.

Corrective Action Plan:

1. Written policies and procedures are in existence. OCA is governed by District of Columbia Municipal Regulations (DCMR) Title 27 and the Procurement Practices Act. In addition, OCA has supplemented the written guidelines and law by issuing policies and procedures governing procurement of goods and services to DCPS facilities.
2. DCPS has stopped maintaining dual databases and migration of the databases have been completed. All staff has been instructed on how to use the comprehensive database, and there will be continuous training offered to them.
3. DCPS will ensure that all files are complete, henceforth. OCA has issued directives that specifically address file maintenance. These directives are aimed at supplementing 27 DCMR and other existing procurement regulations by providing staff with clear procedures to improve file documentation within OCA. The written directives were issued between March 24, 2006 and November 1, 2006.
4. The total population of purchase order modifications is currently maintained. OCA follows 27 DCMR, section 1700 and the Procurement Practices Act (1995), section 2-303.05 when processing sole source contracts. OCA also follows 27 DCMR, section 3600 when processing modifications.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Human Resource/Payroll System

DCPS' human resources department utilizes the Comprehensive Automated Personnel Payroll System (CAPPS) to process and manage payroll. CAPPS was implemented in 1999 and replaced the Unified Personnel Payroll System (UPPS).

Our audit process noted several systemic deficiencies with CAPPS. CAPPS is less automated and requires more manual interface than UPPS which results in unintentional errors and the use of an antiquated system. For instance:

- CAPPS does not have the capability to track and calculate step increases for employees. Therefore, human resource personnel must determine when an employee is eligible for a step increase and process it manually.
- Checks and balances for CAPPS is a manual process making it difficult to validate the data in CAPPS.
- Furthermore, it is difficult to produce reports from CAPPS to help analyze human resource/payroll functions such as the amount of overtime spent during the year or employees terminated but still reflected as active in the system.

For fiscal year 2006, DCPS had an approved personnel services budget totaling \$626.4 million. In order to help ensure that DCPS is properly and accurately processing payroll on a bi-weekly basis, DCPS should reduce the number of manual and more labor intensive processes involved and consider the implementation of an automated system capable of efficiently processing its payroll volume.

Management's Revised Response (March 9, 2007):

DCPS will transition from CAPPS to PeopleSoft in the timeframe of late fiscal year 2008 and early fiscal year 2009, utilizing the time and attendance, labor distribution, and the human resource components.

Corrective Action Plan:

1. DCPS will obtain all related DCOIG reports written/issued during FY 2006.
2. OIG will review corrective actions noted by DCPS and perform tests to ensure that the solution has been implemented.
3. DCPS has established a task force that includes the Office of Human Resources and the Office of the Chief Financial Officer to develop and create policy and procedures to address overtime issues. This manual will effectively identify all areas of overtime to include who is authorizing approval and recording overtime, and will also include procedures to be followed during the holiday season when leave is at its heaviest. In addition, leave forms will be assessed to determine if changes or modifications are required. The manual will be created using the District Personnel Manual, DCMR and the Superintendent Directives, and will be a user friendly guide. DVD will also be available.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

4. CAPPs has the ability to track and calculate step increases. Office of Pay and Retirement Services (OPRS) is currently performing a mass update for the teachers prior to the opening of this coming school year. DCPS will provide OPRS with the rules regarding the waiting periods between steps. OPRS and Office of the Chief Information Officer will work together to effectuate an automated step increase process. OPRS will continue to train the DCPS staff on the use of CAPPs. Pursuant to the training plan, the DCPS, Office of Human Resources (OHR) along with the CFO's office will develop a task force to provide necessary training needed for the appropriate HR staff to be completed by the end of Fiscal Year 2007. A total of 30 to 35 HR staff members will be trained. This training will be conducted by a training team and augmented by external support as needed. Training will take place between April 2007 and June 2007 starting with 10 employees. After the training is completed OHR will develop a training manual between July and August 2007. This manual will be developed by the training team and will be user friendly and will be consistent with the DPM, DCMR and the Superintendent Directives.

5. CAPPs has the capability to validate data. OPRS will train DCPS staff on how to validate data in CAPPs. The DCPS, OHR along with the CFO's office will develop a task force to provide the necessary training needed for the appropriate OHR staff to be completed by the end of the Fiscal Year 2007. As a result of this there will be training manuals developed along with a DVD version as well. A total of 30 to 35 HR staff members will be trained. This training will be conducted by a training team and augmented by external support as needed. Training will take place between April 2007 and June 2007 starting with 10 employees. After the training is completed OHR will develop a training manual between July and August 2007. This manual will be developed by the training team and will be user friendly and will be consistent with the DPM, DCMR and the Superintendent Directives.

6. CAPPs has the capability to produce reports to analyze human resource/payroll functions such as the amount of overtime spent during the year or employees terminated but still reflected as active in the system. OPRS will train DCPS staff on how to use this operation. OHR along with the CFO's office will develop a task force to provide the necessary training needed for the appropriate OHR staff to be completed by the end of Fiscal Year 2007. As a result of this, there will be a training manual developed along with a DVD version as well. A total of 30 to 35 HR staff members will be trained. This training will be conducted by a training team and augmented by external support as needed. Training will take place between April 2007 and June 2007 starting with 10 employees. After the training is completed OHR will develop a training manual between July and August 2007. This manual will be developed by the training team and will be user friendly and will be consistent with the DPM, DCMR and the Superintendent Directives.

Medicaid Program

Cost Reports

Medicaid regulations require submission of cost reports within 5 months of the cost reporting fiscal year or 30 days after a valid Provider Statistical and Reimbursement Report is sent to the provider by the intermediary (whichever is later). If additional claims are able to be supported within two years of providing the services, cost reports can be resubmitted. As of January 2007, DCPS has not filed the fiscal year 2003, 2004, 2005, and 2006 cost reports. DCPS is in direct violation of compliance with the filing requirements. In addition, the longer that DCPS waits to submit these cost reports, the greater the risk increases that DCPS may not be able to locate the appropriate documentation during the respective cost report audit.

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We recommend that DCPS gather the information needed to file a complete and accurate cost report and file these reports that are past due. Going forward, an effort should be made to file these reports within the regulated time frame. We further noted that the fiscal year 2002 cost report was only submitted in fiscal year 2005 and DCPS is currently in negotiations concerning its Medicaid disallowances. Based on our discussion with DCPS personnel, disallowances for fiscal year 2002 could range as high as \$2 million. The fiscal year 2003, 2004, 2005, and 2006 disallowances are unknown as of January 2007, and no liability has been recorded for these potential disallowances.

Based upon a historical analysis of prior year disallowances, there is a potential \$8 million disallowance relating to fiscal years 2003 through 2005.

Management's Revised Response (March 9, 2007):

While it is true that documentation is hard to locate after two years, the District of Columbia State Plan for Medicaid services does not specify a time limit for DCPS to submit cost reports. DCPS, as a public agency, has a two-year window, from the date of service to submit Medicaid claims (Legal citation: 45 CFR 95.7 (2001)).

It is the understanding of DCPS that all allowable Medicaid claims have to be submitted prior to preparing a comprehensive cost report; DCPS has been utilizing the two-year window to research and submit claims in an appropriate manner. DCPS is re-examining its understanding of the requirements and processes regarding the submission of cost reports within the five months of the reporting fiscal year end. It is not the desire of DCPS to lose significant amounts of school-based Medicaid reimbursements with implementation of the five month requirement and DCPS will, to the fullest extent, make modifications of the report and utilize the two-year window to file Medicaid claims from the date of service.

Corrective Action Plan:

1. The Centers for Medicare and Medicaid Services, under Title 42 Part 413, Subchapter B of the Code of Federal Regulations, specifies regulations for cost reimbursement and reporting for the Medicare Program. Section 413.20(b) of the Regulations addresses frequency of cost reporting and Section 413.24(f) (2) requires cost reports to be completed within five months after the close of the period covered by the report. Title 42, Subchapter B references the Medicare Program, (specifically end-stage renal disease services that are provided by skilled nursing facilities).

2. While the current State Plan Amendment does reference the principles of reasonable cost reimbursement for public clinics, these clinics are only a subset of all revenue collected by the DCPS Medicaid Recovery Unit. Therefore, the Medicare regulations in question, apply only to a subset of all revenue collected by DCPS. In the District, all public agencies have been granted a two-year window from the date of service within which the Medicaid claim can be billed. Since all public agencies utilize the two-year window, cost reports are not prepared until after this two-year time frame has elapsed (since submitting the cost reports before this time will truncate the public agency's ability to collect further revenue that is relevant to the applicable fiscal years). The Code of Federal Regulation does not provide guidance for acceptable time frames within which public agencies (such as DCPS, CFSA, YSA, etc.) shall submit cost reports after the end of each fiscal year.

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3. DCPS will seek further confirmation from the Medical Assistance Administration (and Centers for Medicare and Medicaid) regarding reasonable time frames for submission of future cost reports. A timely written request for extension will be made if necessary. DCPS submitted cost reports for the year 2003 in July 2006.

Recording of Activity

We also noted that DCPS currently records Medicaid revenue using the cash basis of accounting. As such, no receivable is ever booked for Medicaid revenue. DCPS is also unable to quantify the amount of unbilled claims at year-end. This is due to the fact that DCPS has not yet developed a methodology to properly analyze and determine the potential incurred but not recorded (IBNR) Medicaid claims at year-end. We recommend that DCPS develop such a methodology and implement it as soon as possible. As a result of not having a calculation or requiring its Medicaid claims processing vendor to quantify unbilled claims at year-end, DCPS' related receivables and liabilities are understated. In addition, we noted that DCPS has not submitted claims in a timely fashion.

Management's Revised Response (March 9, 2007):

DCPS' corrective action for this audit finding is the implementation and full use of the accrual basis of accounting in order to fully book Medicaid revenue. This methodology will be instrumental in allowing us to properly analyze and determine the potential incurred but not recorded (IBNR) medical claims at year end. Medicaid claims for DCPS is a complex operation that is highly dependent on the data submitted by over 140 public schools, 50 non-public schools, the Department of Special Education and the Department of Transportation. Due to systemic delays in receiving clinician service data, errors and inconsistencies can occur and significantly affect the calculation of IBNR liability.

Corrective Action Plan:

1. DCPS will record Medicaid claims using the accrual basis of accounting for the billing information available.
2. DCPS will record all Medicaid receivables in the future.
3. DCPS is proposing a workgroup consisting of representatives from the Medicaid Recovery Unit, the Office of the Chief Financial Officer, Medical Assistance Administration and the Department of Special Education to discuss the development of a methodology to estimate an IBNR amount from available claim data at fiscal year end.
4. DCPS will notify all clinicians and service providers to document health services within 15 days of providing service.

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2006-02 Management of the Medicaid Program

Medicaid Program is Classified as an Area of Risk

District of Columbia Office of Inspector General:

In its fiscal year 2006 Report on the Activities of the Office of the Inspector General (OIG) dated December 1, 2006, the OIG identified the Medicaid Program as one of the five areas of risk for the District of Columbia. The assessment says that the impact of potential losses to the District is significant. The 2007 plan is to focus on the core areas of recordkeeping and documentation, nursing home reimbursements, and managed care organizations that provide Medicaid-covered services. Following are the summarized results of four recent audits performed by the OIG:

1) Audit of a Contractual Arrangement for Non-Emergency Transportation of Medicaid Recipients, issued May 5, 2006.

This audit focused on a review of a contractual arrangement executed by a Department of Health (DOH) employee for the Transportation Authorization Program. The DOH employee, who did not have authority to bind the District in a contractual arrangement, executed a contract for transportation authorization services. The contractual arrangement bypassed the normal procurement process, and the funds to pay for the services had not been pre-encumbered (budgeted). Approval to pay the contractor was made only after a formal ratification process had been completed. This procurement violated basic procurement rules contained in the District of Columbia Code and the District of Columbia Municipal Regulations (DCMR).

Management's Response:

As of July 2006, the DOH employee that executed a contractual arrangement for the Transportation Authorization Program is no longer employed with the District. MAA recognized the fact that the DOH employee did not have authority to bind the District in a contractual arrangement. As a result, MAA took the appropriate disciplinary action. MAA completed the ratification process in order to pay the vendor for the services delivered.

OIG directed four recommendations to the Director, DOH which focused on:

- i. *Ensuring the integrity of the agency procurement functions* – MAA senior management has reinforced to all the procurement functions.
- ii. *Issuing written guidelines informing the DOH employees that a DOH contracting officer is the only agency employee authorized to execute a contract on behalf of the agency* – MAA has developed and drafted written guidelines that informs MAA employees that the DOH contracting officer is the only agency employee authorized to execute a contract on behalf of the agency.
- iii. *Amending the ratification package* – The ratification package was completed and processed prior to the OIG audit. The ratification package indicated that the DOH employee did not have the authority to bind the District in a contractual arrangement. MAA is willing to amend the ratification package to reflect various changes made to ensure the integrity of agency procurement functions and personnel changes.

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- iv. *Implementing controls to ensure that the Office of Contracting and Procurement is fully informed of services to be provided under the contract* – MAA has since implemented protocols and procedures to ensure that the Office of Contracting and Procurement is fully informed of services requested under all contracts

2) Audit of the FY 2006 Fund Status at the Mental Retardation and Developmental Disabilities Administration (MRDDA), issued September 20, 2006.

The objectives of this audit were to: 1) determine the status of current year funds budgeted for MRDDA; 2) review MRDDA's spending practices and compliance with District and/or federal anti-deficiency laws; and 3) evaluate controls to prevent or detect over-obligation of funds. The OIG made 13 recommendations to several District officials that it believes are necessary to correct the deficiencies noted in this report

Management's Response:

- i. *Contact MRDDA providers to determine any outstanding bills or obligations relative to fiscal year 2006.*

Action taken or planned: On August 2, 2006, MRDDA sent correspondence to each of its providers in order to obtain outstanding bills and obligations for fiscal year 2006.

Current Status: Completed.

- ii. *Require budgets to be prepared based on identified needs for each consumer served. Additionally, establish controls to routinely evaluate and refine consumer needs so that budgets can be timely updated and accurately forecasted.*

Action taken or planned: MRDDA performed a review of each consumer's individual service plan ("ISP") and budget to determine whether providers are being paid only for support services required by the ISP and at the funding levels set forth in the applicable human care agreement or purchase order. MRDDA has established controls to evaluate consumer needs through the modification of the MCIS system. A module has been added to the MCIS system to include a comprehensive consumer budget process. The financial tab will include both waiver and local appropriations expenditures so that MRDDA budget staff will be able to ensure proper spending.

The new module will allow MRDDA budget staff to track consumer information by provider to specific services provided, rates, hours needed, site information and other information necessary to monitor the budget of MRDDA.

Current status: Effective December 2006, consumer budgets based on their ISP were entered into the MCIS system. In addition, on January 9, 2007, a presentation was made to the provider community and other stakeholders on the new system and its impact on consumer services and their applicable budgets.

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- iii. *Train current MRDDA staff to develop and monitor expenditures and related budgetary documents so MRDDA management will have accurate and timely information necessary to make decisions regarding program expenditures and resources.*

Action taken or planned: As mentioned above, MRDDA has developed a financial tab within the MCIS system that will provide us with accurate and timely financial information to monitor expenditures. MRDDA is developing various financial reports that will be used to monitor expenditures and track trends. MRDDA is also working with MAA to ensure that we have comprehensive financial data to include information on the costs for ICF-MR and costs associated with the waiver. In addition, MRDDA has developed a new case management model whereby consumers will be assigned to support services coordination teams on the basis of whether the individual requires intensive or non-intensive supports. These teams will be multi-disciplinary with specialists, advocates, nurses, and case managers, and are intended to develop expertise in the community based support services available for those consumers in the particular setting (i.e. ICF-MR). Each MRDDA staff will be better able to monitor the delivery of services with respect to the assigned caseload. As part of the implementation of and transition to the new case management model, MRDDA staff will receive training on the fiscal impacts (i.e. expenditure and budget) of specific placements and will work directly with service management specialists in MRDDA's contracts office to procure the necessary support services.

Current status: Ongoing.

- iv. *Request that the CFO temporarily assign OCFO staff to assist MRDDA staff, pending completion of training in budget formulation and monitoring.*

Action taken or planned: Effective July 16, 2006, the OCFO assigned an agency chief fiscal officer to MRDDA who worked on site three days per week. Recently, the OCFO assigned the agency chief fiscal officer to work exclusively with MRDDA on a full-time basis.

Current Status: Completed.

- v. *Submit written notification to the applicable Deputy Mayor, Mayor, and D.C. Councilmember of any spending pressure exceeding a certain threshold, as determined in conjunction with the Executive Office of the Mayor, so that all stakeholders can be involved in the process of taking immediate corrective action.*

Action taken or planned: This recommendation exceeds the authority of either an agency director or administrator, but MRDDA currently is working with the OCFO and Deputy Mayor for Children, Youth, Families and Elders ("CFYE") to develop a written notification tool as recommended.

Current status: In October 2006, the OCFO working with MRDDA's Administration notified, in writing, the Executive Office of the Mayor concerning MRDDA's fiscal year 2007 spending pressure. Subsequent meetings were held with the Executive Office of the Mayor and Council members. In December 2006, a public roundtable was held so that MRDDA could present its fiscal year 2007 spending pressure before Council.

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- vi. *Identify and seek recovery of over billings for Waiver enrollments. Further, establish proper controls to ensure that entrance dates for Waiver enrollments are properly recorded by MRDDA and that all appropriate officials are timely notified so that the costs for Waiver services provided are properly billed.*

Action taken or planned: This recommendation exceeds MRDDA's authority, but MRDDA currently is working with the Department of Health's Medical Assistance Administration ("MAA"), the OCFO, and the Office of the Attorney General ("OAG") to identify and to seek to recover over billings for Waiver enrollments. MRDDA's Waiver Unit has also worked with our IT Unit to modify the MCIS system to include a real time waiver roster that includes waiver certification beginning and ending dates. MRDDA is working with MAA on terms of a memorandum of understanding ("MOU") that will ensure a more timely notice to providers on waiver authorizations. The current process is paper based, but with the implementation of the MOU, the process will be automated and expedited.

Current status: Ongoing.

- vii. *Develop a specific plan to develop an inter-state compact agreement, enter into MOUs or identify other formal means necessary to maximize services or reduce costs to the District, to:*
- a. *Maximize all available Waiver enrollment slots and address costs for out-of-state placements so the District can obtain federal reimbursement for costs of services*
 - b. *Identify services to meet consumer needs that are not otherwise covered by Medicaid so the most services can be delivered to consumers at the lowest costs;*
 - c. *Take steps to minimize costs related to business closures. Specifically:*
 - *provide a seamless mechanism for providers in good standing to re-negotiate rates to keep them solvent;*
 - *identify a pool of pre-certified providers to reduce the application processing time, thereby eliminating the use of 100 percent local funds during the certification period; or*
 - *transfer facility certification, or provide temporary certification, to the new provider.*

Action taken or planned: This recommendation exceeds the authority of MRDDA and MAA, but these two agencies are working with several other agencies – including OCFO, the OAG, and the Office of Contracting and Procurement – to determine the extent to which the District government can address OIG's recommendation. MRDDA is working with MAA on the development of an MOU that will transfer provider enrollment from MAA to MRDDA. This will allow MRDDA to better meet the needs of our providers and consumers of service. MRDDA also is modifying the MCIS system to include the number of slots per provider and number of vacant placements. We are also working with MAA to modify the waiver rules to include out-of-state providers.

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Current Status: Ongoing.

- viii. *We recommend that the Chief Financial Office in conjunction with the Deputy Mayor for Children, Youth, Families, and Elders, make a legal determination whether a local or federal Anti-Deficiency Act violation occurred because of the over obligation of MRDDA's FY 2006 budgetary authority. If a violation of federal laws governing spending with the District's Appropriation Act has occurred, the Mayor must submit, to the President and Congress, the report required by 31 U.S.C. § 1351 (1994) in accordance with guidance contained in OMB Circular A-34 (revised October 19, 1999).*

Action taken or planned: We concur. We will refer this matter to the CFO's General Counsel to determine whether an anti-deficiency violation has occurred. If the ruling finds that this is the case, we will promptly refer the issue to the District's Anti-Deficiency Review Board for further action. We will inform the OIG of the results of Counsel's review.

Current status: Ongoing

- ix. *We recommend that the Anti-Deficiency Review Board Chairman convene the Anti-Deficiency Board and take appropriate action regarding the MRDDA over-obligation in accordance with the federal and District's Anti-Deficiency Acts.*

Action taken or planned: We concur. The matter will be sent forward to the Anti-Deficiency Board for further action.

Current status: Ongoing.

- x. *We recommend that the Chief Financial Officer and the Deputy Mayor for Children, Youth, Families, and Elders prepare quarterly FRP reports and monthly spending plans for MRDDA separate from those of DHS to improve visibility of program finances and to better monitor and manage MRDDA's budget.*

Action taken or planned: We concur. The DHS/OCFO's office prepares quarterly FRP and monthly spending plans for each administration. These reports are then consolidated into one agency report for submission. It must be noted that monthly budget reports (EIS reports) are distributed to each administration within DHS including MRDDA.

Current status: Effective with the 1st quarter FRP for FY 2007, MRDDA will submit a separate FRP. In addition, effective FY 2008, the spending plans for MRDDA will be submitted separately.

- xi. *We recommend that the Deputy Mayor for Children, Youth, Families, and Elders, in conjunction with the MRDDA Administrator establish controls to ensure that obligations are recorded at the point in time that they are incurred. These controls should include training, written procedures, and increased management oversight.*

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Action taken or planned: MRDDA already is working within the context of the Systems Improvement Plan and with the OCFO to affect the types of procedures and management controls recommended by OIG.

Current status: Ongoing.

- xii. *We recommend that the Chief Financial Officer submit quarterly FRP reports for all agencies to improve visibility of program finances so program budgets can be better monitored and managed as required by the District's Anti-Deficiency Act of 2002.*

Action taken or planned: We concur. The DHS/OCFO's office prepares quarterly FRPs for each administration. These reports are then consolidated into one agency report (DHS) for submission to the Office of Budget and Planning (OBP).

Current status: Effective with the 1st quarter FRP for FY 2007, MRDDA will submit a separate FRP.

- xiii. *We recommend that the Deputy Mayor for Children, Youth, Families, and Elders finalize MRDDA's reporting structure with regard to making MRDDA a separate agency or part of the DHS reporting structure.*

Action taken or planned: In September 2005, and again in July 2006, the DHS Director delegated authority for MRDDA's personnel, contracting and procurement, and budget actions to the MRDDA Administrator in an effort to provide better accountability at the program level. By Mayor's Order 2006-101 dated July 26, 2006, "Delegation of Authority to Administrator of the Mental Retardation and Developmental Disabilities Administration and Requirements for Inter-Agency Cooperation," 53 D.C. Reg. 6393 (Aug. 4, 2006), the Mayor further defined MRDDA's separate authority for budget, contracting and procurement, personnel, and Medicaid, and instituted a monthly meeting of affected agencies "to take steps necessary and appropriate to comply with the 2001 Plan for Compliance and Conclusion of *Evans v. Williams*. Accordingly, MRDDA's roles and responsibilities with respect to budget and contracting and procurement already have been addressed.

Finally, on September 14, 2006, the Mayor transmitted to the Council of the District of Columbia for its consideration Bill 16-890, the "Department of Cognitive and Developmental Disability Services Establishment Act of 2006," which creates a separate Cabinet-level agency within the executive branch of government to lead the reform of the District's system of care and rehabilitation services for citizens with mental retardation and developmental disabilities. Bill 16-890 was introduced on September 18, 2006, circulated on September 20, 2006, and referred to the Committee on Human Services.

Current status: Emergency legislation was passed on December 19, 2006 establishing MRDDA as a cabinet-level agency reporting directly to the Mayor.

- 3) Audit of the Maintenance of Medical Necessity Forms for Non-Emergency Transportation of Medicaid Recipients, issued September 29, 2006.

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This audit indicated that the DOH Medical Assistance Administration (MAA) did not maintain Medical Necessity forms for nearly all of the 8,607 participants who received transportation benefits at a cost of \$16.3 million from the NET Program in fiscal year 2005.

The maintenance of the Medical Necessity form is essential for controlling the total cost of the NET Program because it authorizes the District's Medicaid recipients to receive various modes of transportation assistance when receiving treatment or seeking other medical services. This condition occurred because MAA required and relied on the medical facilities to maintain the Medical Necessity forms. Further, MAA had not performed any on-site visits or reviews at the medical facilities to ensure that the forms were being maintained.

Although MAA required the medical facilities to maintain the Medical Necessity forms, MAA policies and procedures do not require medical facilities to submit completed and approved forms to MAA.

Due to MAA's failure to properly maintain Medical Necessity forms, DOH cannot determine the total number of authorized participants who utilized the NET Program. DOH also cannot substantiate the medical condition that warranted transportation for program participants who received transportation services during fiscal year 2005.

Moreover, failure to maintain all of the Medical Necessity forms is a serious breach of basic internal controls, which may have resulted in additional program costs to the District of Columbia.

Management's Response:

- i. *Ensuring the maintenance of the Medical Necessity forms* – MAA has proactively taken several steps to remedy the issue identified. MAA developed a plan of action to reissue Transmittal 06-05, "Authorization for Medical Transportation for Doctor's appointment" to all Medicaid providers. The transmittal indicates a medical necessity form must be completed and substantiated by a physician's order for each Medicaid recipient requesting non-emergency transportation before services will be authorized.

To ensure Medical Necessity Certification forms are maintained, MAA recently developed a Medical Necessity Certification Questionnaire, which is currently being faxed to physicians, practitioners, and authorized facilities that request and arrange non-emergency transportation services for Medicaid recipients.

On August 14, 2006, MAA started sending (via fax) the Medical Necessity Certification Questionnaire to Medicaid physicians, practitioners, and authorized facilities that request and arrange non-emergency transportation services. The physician is required to sign the Questionnaire, which certifies that a "completed" Medical Necessity Certification form on file and retained. The Questionnaire captures the Medicaid recipient's name, Medicaid number, and requires the physician to identify the appropriate mode of transportation required.

Providers must complete and submit the Medical Necessity Certification Questionnaire to MAA by November 1, 2006. Failure to submit the Questionnaire will result in the denial of transportation services.

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Once the Medical Necessity Certification Questionnaire form is completed and returned to MAA, the form will be placed in an organized filing system. The new filing system will serve as a repository, which will be accessed by MAA to ensure the physician has certified that a Medical Necessity Certification form is on file.

Data collected from the Medical Necessity Certification Questionnaire form will be entered into shared database that will be maintained by MAA. MAA's Office of Program Operations will enter data from all the Medical Necessity Certification forms into a database, which will be used by MAA Customer Service Representatives (CSR) that handle non-emergency transportation prior authorization requests via telephone and fax. Each MAA CSR will have access to the shared database. The CSR will access the database every time a provider submits a prior authorization request, via fax or telephone, to MAA for non-emergency transportation. The CSR will access the database to verify the following:

- A Medical Necessity Certification form was completed by the physician and is on file; and
- The recipient's medical condition warrants transportation by public transportation or van, based on the physician's information.

The CSR will either approve or deny authorization for services and inform the provider of MAA's decision of approval or denial of transportation services.

- ii. *Amending DOH's Access Guide to require that medical facilities submit a copy of each completed and approved Medical Necessity form to MAA* – MAA will amend the DOH Access Guide. The DOH Access Guide now will require physicians, practitioners, and authorized facilities that request and arrange non-emergency transportation services to submit to MAA a Medical Necessity Certification Questionnaire, which has been signed by the physician. The Medical Necessity Certification Questionnaire may be submitted via fax or direct mail.
- iii. *Issuing written guidelines requiring MAA to perform periodic reviews of the Medical Necessity forms* – MAA concurs with this recommendation. MAA will have the Office of Program Integrity establish formal written policies and procedures that explain how periodic reviews of Medical Necessity forms will be conducted. The written policies and procedures will be finalized and completed by MAA's Office of Program Integrity.
- iv. *Implementing controls to ensure the need for van transportation* – MAA has implemented a formal process to verify the need for van transportation by requiring the completion of the Medical Necessity Certification Questionnaire. It is the responsibility of the physicians, practitioners, and authorized facilities that request and arrange non-emergency transportation services for Medicaid recipients to complete this form and send it into MAA before van transportation services are authorized.

Also refer to item (i) in this section for additional procedures to be implemented.

- 4) Audit of the Outsourcing of the Aging and Disabilities Resource Center, issued December 8, 2006.

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Medical Assistance Administration, Office on Disabilities and Aging (MAA-ODA) officials were, for the third time, attempting to outsource (contract out) the Aging and Disabilities Resource Center (ADRC) without evaluating other options and providing documentation to support that doing so was in the best interest of the District.

While participation in the Home and Community-Based Services Elderly and Adults with Physical Disabilities Waiver Program (HCBS EPD Waiver Program) has increased, officials did not fill all of the slots approved by the Centers for Medicare and Medicaid Services (CMS), and lost opportunities to provide in-home nursing care for District residents and save money by diverting them from more expensive nursing home care.

OIG estimates that had MAA officials filled all allotted HCBS EPD Waiver slots from 2002 to 2005, the District could have saved up to \$33.8 million. In addition, OIG estimates that if MAA-ODA officials filled all of the allotted HCBS EPD Waiver slots in 2006, the District could have saved \$2.8 million.

Management's Response:

- i. The OIG based their calculations on estimates that were quite optimistic and did not address the issue of consumer choice, a key component of the Elderly and Persons with Physical Disabilities (EPD) waiver. It is not unusual for States to have waivers operating at less than full capacity as the ceiling provides an estimate of what volume of waiver expenditures Centers for Medicare and Medicaid Services (CMS) routinely will pay. The OIG did not find merit with MAA findings or response.
- ii. MAA has increased the EPD waiver over one hundred percent in the past 18 months and is now operating at over 83 percent of capacity, an increase of over 55 percent in the last six months. There are now more than 1,200 persons in the Waiver out of a maximum of 1,445 for the current Waiver year.
- iii. MAA-ODA evaluated at least three options and elected to move to outsource based on the time and resources required to establish in-house infrastructure. Given that the OIG did not recommend that MAA outsource the ADRC, the MAA chose to provide these services in-house. The following corrective actions have already been taken or are underway to address the OIG concerns:
 - a. MAA cancelled the outsourced contract with Chesapeake Consulting, Inc. effective May 31, 2006.
 - b. MAA requested a no-cost extension for MAA's Real Choice Systems Change Grant which utilized the ADRC as part of the work plan in FY 2006. CMS granted MAA a one time extension from October 1, 2005 through September 30, 2006. MAA sought a second extension which was not granted. MAA also applied for an additional RCSC grant but was notified on September 18, 2006 that the MAA proposal was not accepted and the District was not awarded a new RCSC grant.
 - c. MAA conducted a more detailed cost benefit analysis of outsourcing the ADRC vs. keeping the services in-house as well as drafted a fiscal impact statement.

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- d. As a result of the cost benefit analysis and internal discussions MAA will plan to conduct all key portions of the ADRC in-house for fiscal year 2007 contingent upon obtaining budget enhancements, making budget adjustments, locating space and hiring personnel needed to bring the ADRC in-house. MAA will continue to build internal infrastructure through fiscal year 2007 and beyond. Once it can operate at full capacity MAA fully intends to optimize the ADRC capacity and services provided in-house in fiscal year 2008. Specific ADRC goals and deliverables with a timeline are being developed to reflect the best approach for best serving District residents going forward.

The primary recommendation of the OIG to bring the ADRC in house to DOH-MAA is in progress.

Other Audits:

Following are the summarized results of other recent audits performed over the Medicaid program:

- 5) Office of the D.C. Auditor - Auditor's Examination of Contracts for Four (4) Consumers under the Care of the Mental Retardation and Developmental Disabilities Administration, issued July 13, 2006.

Mental Retardation and Developmental Disabilities Administration (MRDDA) current invoice review and certification process is poorly managed and lacks vital management, administrative, and financial controls. Present MRDDA procedures create opportunities that allow for potential fraudulent billings in addition to violating OCFO internal control policies and procedures, as evidenced in this review. In addition, MRDDA's current review and certification process does not provide assurances that negotiated services are actually being rendered at the negotiated price and that employees are paid the negotiated rates. It is imperative, in order to adequately safeguard the expenditure of public funds and reduce the adverse impact it may impose on consumers under MRDDA's care that MRDDA establishes a system of internal controls that ensures adequate review and certification of invoices and services prior to payment.

Management's Response:

Action taken or planned: MRDDA performed a review of each consumer's individual service plan ("ISP") and budget to determine whether providers are being paid only for support services required by the ISP and at the funding levels set forth in the applicable human care agreement or purchase order. MRDDA has established controls to evaluate consumer needs through the modification of the MCIS system. A module has been added to the MCIS system to include a comprehensive consumer budget process. The financial tab will include both waiver and local appropriations expenditures so that MRDDA budget staff will be able to ensure proper spending. The new module will allow MRDDA budget staff to track consumer information by provider to specific services provided, rates, hours needed, site information and other information necessary to monitor the budget of MRDDA.

Current status: Effective December 2006, consumer budgets based on their (ISP) was entered into the MCIS system. In addition, on January 9, 2007, a presentation was made to the provider community and other stakeholders on the new system and its impact on consumer services and their applicable budgets.

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6) Centers for Medicare and Medicaid Services (CMS) of the Department of Health and Human Services - Summary of Issues Identified during the Assessment of DC's Home Community-Based Services Waiver for Individuals with Mental Retardation, issued October 10, 2006.

The on-site review from August 15 to 17, 2006 was part of the CMS assessment and in anticipation of a waiver expiration/renewal date of November 19, 2007. CMS found that the District failed to substantially meet three of the six waiver assurances as follows:

- The District failed to demonstrate that it has designed and implemented a system to assure that plans of care waiver participants are adequate and services are being delivered; and that services are meeting the needs of waiver participants.
- The District failed to demonstrate that it assures the health and welfare of waiver participants including the identification, remediation and prevention of abuse, neglect, and exploitation.
- The District failed to demonstrate that it retains administrative authority over the waiver program and that its administration of the waiver program is consistent with its approved waiver application.

CMS also issued a summary of corrective actions and follow-up expectations for the Medical Assistance Administration (MAA) and MRDDA to follow to ensure that the individuals in the waiver receive quality services.

Management's Response:

Status: MRDDA is in the process of implementing a six-month Systems Improvement Plan which includes enhancing the quality of care and services and establishing a new organizational structure. The System Improvement Plan includes the following:

- 1) Restructuring of the case management system and elimination of the distinction between Evans and on Evans Class members.
- 2) Eliminating contract case managers. Some current case managers will be offered positions as District employees.
- 3) Instilling a consumer-centered philosophy into the case management staff.
- 4) Use of a common assessment tool by case managers.

MRDDA has developed a new incident management system, Alert Resolution System (ARS). ARS will catalogue, classify, and respond to significant consumer and provider issues identified by internal and external partners. It will provide a mechanism for MRDDA to track, trend, and organize timely responses to address individual, provider, and system issues.

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Key components of the system include (1) the Immediate Responses Committee which reviews issues each day, (2) a Rapid Intervention Team which evaluates potential crisis situations, and (3) the MRDDA Consumer Information System, which is a web-based database providing the automated tracking of consumer and provider data.

MRDDA has indicated that it is reconsidering its decision to terminate the Columbus Organization, but has not announced a final decision.

MAA is working with MRDDA to strengthen the MOU.

Cost Reports

Various District agencies, including Child and Family Services (CFSA) and the Department of Mental Health (DMH), provide Medicaid services to eligible District residents. The costs incurred by these agencies are summarized in a cost report that is submitted to the Medical Assistance Administration (MAA), part of the District's Department of Health, for approval before those claims are submitted to the Federal government for reimbursement.

The cost reports are required by the Medicaid State Plan to be audited. We noted that final audited cost reports for these agencies are completed after a significant period of time.

Reasons for the delay in the completion of the audit of the cost reports are generally due to (1) delays in submission of cost reports by District agencies; (2) agency appeals of MAA disallowances caused by failure to file Medicaid claims timely, as well as, the provision of sufficient support for incurred claims; and (3) delays in resubmission of revised cost reports together with the additional documentation to support previously disallowed claims. The difference between costs submitted for reimbursement and the costs actually reimbursed result in the use of local, rather than federal, dollars to fund Medicaid expenditures.

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

Agency	Cost Report Completed	Status of Cost Report under Audit
CFSA	Up to fiscal year 2003	On going fieldwork for fiscal year 2004
DMH	Up to fiscal year 2002	Just began fieldwork for fiscal year 2003
DCPS	Up to fiscal year 2001	Finalizing fiscal year 2002

We recommend District agencies improve the claims submission process and submit cost reports to MAA on time and improve communication and better coordinate the submission of claims by agencies in a form that is acceptable to MAA. This will allow the District to reduce the time between when the Medicaid expenditures are incurred and the ultimate reimbursement of these costs from the Federal government.

Management's Response:

We agree that timely completion of audits is necessary to reduce the possibility of misstatements. Changes in personnel and record retention issues may add to the possibility of eventual audit error. While we note that the District imposes no time restriction on the completion of audits, we agree that prolonged incompleteness makes it cumulatively harder to maintain and produce competent evidential matter necessary to render an opinion on the fair statement of the District's financial position.

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We concur with the above recommendations and henceforth MAA, with the cooperation of the public providers, will strive to complete these audits in a timely manner. We will reinforce with the public provider agencies the need for timeliness.

Accounts Receivable Write-offs at the Department of Mental Health (DMH)

In connection with the cost report audits mentioned previously, the Medical Assistance Administration (MAA) of the District's Department of Health has disallowed significant portions of Medicaid costs submitted for reimbursement by DMH. We noted that DMH had been very aggressive in recording receivables for the Federal share of its Medicaid claims incurred from fiscal years 2002 to 2004. However, these claims expenditures could not be fully supported by DMH in the cost reports submitted to MAA and this resulted in significant write-offs.

We observed that as a result of such disallowances, DMH has written off \$17.3 million of Medicaid accounts receivable during fiscal year 2006 which related to fiscal years 2002 through 2005 claims expenditures. In addition, DMH has also written off \$11.4 million and \$9.9 million during fiscal year 2003 and fiscal year 2005, respectively.

We recommend that DMH ensure that all claims reimbursements submitted to MAA are provided with sufficient supporting documentation which in turn, will ease the collection process from the Federal government. This will also help to minimize the use of local dollars to fund these expenditures.

Management's Response:

The new DMH management team is placing a very high level of resources and effort into recouping Medicaid reimbursement for claims submitted but denied. The Accounts Receivable module that was intended to support the internal claims system has not been made operational. Therefore, the agency is in the process of engaging an experienced outside vendor to analyze the denial reasons and to correct the claims to resubmit them to MAA. This vendor will work in conjunction with internal resources such as a recently hired Medicaid Eligibility Specialist and three claims staff specifically assigned to Medicaid reimbursement recovery.

The agency has developed a repeatable and sustainable cycle for extracting Medicaid eligible claims from the internal claims system and forwarding them to MAA. This process has been occurring weekly since July 2006.

DMH and MAA are working toward reassignment of the responsibility for provider claims payments from DMH to MAA. This effort has already resulted in a closer alignment of payment rules for the DMH and MAA claims systems. Once the effort is completed, DMH will no longer be seeking reimbursement from MAA for private provider claims.

Outstanding Audits of New Provider Claims at the Department of Mental Health (DMH)

As noted during the previous fiscal year, DMH did not perform an audit of the first batch of new providers' claims for fiscal year 2006. As a result, DMH has \$113,840 worth of claims in its receivable balance for fiscal year 2006, which has not yet been billed, because the audits of the new providers are pending. The longer DMH takes to bill, the longer it will take for DMH to collect the revenue and the older the receivables become, the lesser the likelihood of collection.

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DMH policy states that an initial audit of a sample of the first batch of claims submitted is to be audited. We recommend that DMH hire and train additional personnel to perform the audits to ensure compliance with its policies and to ensure that claims submitted are for actual services provided.

Management's Response:

DMH will immediately initiate the audit of claims received for fiscal year 2006 to ensure the validity of these claims. There was an internal agency miscommunication regarding the status of task orders and these providers' readiness to submit claims when the DMH auditor made their initial inquiry.

DMH has recently hired a Deputy Director for the Office of Accountability under which the audit function reports. The new Deputy Director is currently revising the table of organization for that division which will include supplementing the agency audit function with additional resources.

Outstanding Audits of Financial Data at the Department of Mental Health (DMH)

DMH did not perform the quarterly financial data validity audits of claims submitted by service providers for fiscal year 2006. Per DMH's compliance policy, a sample of 15 claims for each provider is to be reviewed on a quarterly basis. As a result of not performing these audits, DMH cannot determine whether providers are in compliance with its policies. Additionally, claims submitted for payment could be overstated. DMH is only in the process of completing the quarterly audits for fiscal year 2005. We recommend that management conduct such audits in a timely manner.

Management's Response:

DMH's Office of Accountability is working with the Office of Information Systems to get the data in order to perform the appropriate quarterly reviews. Once the claims data is obtained from Information Systems, the desk audits will be performed for fiscal year 2006 claims in accordance with DMH Policy 911.1.

DMH has recently hired a Deputy Director for the Office of Accountability under which the audit function reports. The new Deputy Director is currently revising the table of organization for that division which will include supplementing the agency audit function with additional resources.

Overdrawn Medicaid Federal Funds at the Department of Health (DOH)

During the fiscal year, DOH's request for Medicaid funds included costs that had not been paid out before the request for Federal reimbursement was made. As a result, DOH has overdrawn \$16,466,386 from the Federal government. This amount is currently reflected as deferred revenue in the September 30, 2006 books and records.

The District's Cash Management Improvement Act (CMIA) agreement requires the government to minimize the time that elapses between the payment of the disbursement and the request for reimbursement. The costs must be incurred or paid out before reimbursement is requested from the program's funding. DOH's requests for funds for the program were not based on its immediate cash needs and interest may be owed to the Federal government.

We recommend DOH implement improved policies and procedures to ensure that program obligations have been incurred prior to requesting reimbursement and that requests for funds is consistent with the CMIA agreement.

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Management's Response:

DOH has implemented new procedures to ensure that expenditures are incurred and recorded prior to requesting reimbursement. Beginning in fiscal year 2007, additional staff has been assigned to analyze Medicaid spending. The accounting supervisor is reviewing the analysis prior to the draw from CMS in order to ensure the correct amount is drawn.

The reconciliation between MMIS expenditures, SOAR expenditures posted, and the cash draw will be performed on a monthly basis, maintained for review and will involve the accounting staff and MAA staff. The draws for the third party liability (TPL) collections will be adjusted quarterly.

Additionally, the CMIA report for Medicaid will be restructured in 2007 to incorporate SOAR organization codes which will assist in preventing the overdrawing of federal funds. We will document all of these policies and procedures in 2007. Finally, the subject adjustments will be used to offset draws in fiscal year 2007.

Automated Client Eligibility Determination System (ACEDS) Tables Maintained at Income Maintenance Administration (IMA)

Current controls surrounding changes made to the ACEDS tables are not sufficient to prevent errors or omissions to the tables either due to unintentional error or fraud. ACEDS is a system approved by the Federal government for the determination of eligibility and level of payment for federally sponsored social service programs, including Food Stamps, Temporary Assistance for Needy Families (TANF), and Medicaid and other select locally funded programs. The District is responsible for updating the data tables that are used in ACEDS for levels of eligibility.

Changes to the ACEDS tables are made by IMA personnel. Changes come from various sources and at various different times, for instance the Social Security Administration, Congress, through new legislation or IRS changes, and Federal awarding agencies, etc.

During 2006, IMA developed a draft *Table Maintenance Schedule* designed to document the table name, who is responsible for making the change, the relative level of complexity of the change, the table change frequency, whether there is an effective until date (to indicate when the table was changed) and the critical level of the table. This is currently the only means by which table changes are monitored.

Although there is an informal approach in which the analyst can ask for a review of the work that was entered in the system, there is no control over whether this review actually takes place and no proof that it did.

Although the effective until date within the system can be somewhat useful in determining the approximate date that a table was changed, there are currently no reports that can be generated by the system to determine when and by whom a table was changed and what changes were made. Once a table change is initiated by an analyst, there is currently no formal means of authorizing the table changes before it is placed into use. The lack of controls surrounding the table change process exposes the District to the risk that changes could be made to the tables that are unauthorized or that errors can be made in the application of the change either due to error or fraud. Since the ACEDS system determines eligibility for the District's need based assistance programs this could lead to invalid eligibility determinations that could be material to the District.

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We recommend that IMA implement the following:

- Finalize the Table Maintenance Schedule that is currently in draft form.
- Consider adding source of table change to the Table Maintenance Schedule as applicable.
- Implement a policy in which all table changes must be 1) authorized by the Deputy Administrator or Assistant Deputy Administrator and 2) reviewed by such before the change is implemented.
- Develop a procedure to monitor that upcoming changes to the tables are occurring as necessary.
- Determine if a report can be developed from the ACEDS system that will tell when and by whom a table was last changed and what changes were made.

Management's Response:

Informal controls on table updates have been in place since 1992. The table maintenance schedule referenced may or may not be "finalized" as is, but a maintenance schedule will be developed and implemented as part of an overall Table Monitoring Plan.

An explanation will be conducted with staff from Department of Human Services, Office of Information Systems and the Office of Chief Technology Officer's technical staff regarding the development of a report from the ACEDS system that will tell when and by whom a table was last changed and what changes were made.

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2006-03 Noncompliance with Procurement Regulations

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

We noted the following issues during our audit process:

Procurement Files Review

- We noted that there were deficiencies in the execution and approval of sole source contracts at the Child and Family Services Agency (CFSA). Our examination revealed that the Agency Chief Contracting Officer did not perform certain required certifications prior to awarding the contract. In addition, there was no evidence that justification was documented prior to the Agency awarding a sole source contract and that the determination and findings reviewed were correct and complete. We also noted that the Director of the Agency did not certify that the contractor's price was fair and reasonable prior to the issuance of the contract.
- There were four (4) instances whereby we were unable to verify approval by the Agency's Fiscal Officer, the Budget Officer, and/or the Contracting Officer. The missing approvals were at the following agencies: One (1) from OCP, one (1) from the Department of Mental Health (DMH), and two (2) from CFSA.
- Evidence of Council approval for contracts over \$1,000,000 was not provided for nine (9) contracts selected for testing from the following agencies: Two (2) from OCP, one (1) from DMH, and six (6) from CFSA.

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

We recommend that closer oversight and monitoring controls be placed over contracting at the independent agencies. We further recommend that the Child and Family Services Agency (CFSA), Department of Mental Health (DMH), and Office of Contracting and Procurement (OCP) review their current controls over document maintenance and retrieval. Special focus should be placed on ensuring that all agencies conform with the regulations and are accountable at a centralized level. Management at the contracting offices should perform a periodic review and design checklists which must be approved by supervisory personnel prior to being filed.

Management's Response:

The Office of Contracting and Procurement (OCP) has updated its Contract File Preparation Guidelines Policy (No. 1101.00). The policy requires that the Contracting Officer sign an Index Sheet to provide the final validation of the contents of the contract file five (5) days after contract award, as well as prior to the contract file going forward for any reviews, requests for approval (e.g. OAG review, Council approval, PRC) or litigation.

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The custodian of OCP's filing system, the Procurement Administration, will review files for compliance and sign for acceptance of the files. If the files are not in compliance they will be returned to the Contracting Officer. The agency's file custodian will conduct frequent contract file preparation training programs within OCP and other independent District contracting and procurement agencies.

CFSA management recognizes that past practice within CFSA's Contracts and Procurement Administration did not consistently include complete preparation of Determination and Findings documents, funding certification documents with required signatures by the Fiscal Officer, and evidence of City Council approval for \$1 million and above contracts. A number of the documents reviewed during this audit pertained to former Contract Manager and Administrator tenures. In response to many of the deficiencies found in past Contracts and Procurement Administration practices, our Contract Administrator has made deliberate efforts to ensure that Contracts and Procurement Administration Contract Specialists are fully aware of all procurement documents and signatures required to complete procurement files in a timely manner in accordance with the Title 27 DCMR and the Contracts and Procurement Administration Standard Operating Procedures. Over the last five months, the Contract Administrator has been conducting weekly, internal training for the Contracts and Procurement Administration staff that includes all elements of the procurement process. In addition to training, Contracts and Procurement Administration managers have recently implemented internal audits of contract files to ensure adherence to procurement requirements. For fiscal year 2007 contract files, the completion of all required documents with required signatures has become common practice in Contracts and Procurement Administration.

Another Contracts and Procurement Administration challenge has been the lack of a functioning, centralized document maintenance and retrieval (or filing) system. During the current Contract Administrator's tenure, a centralized file room has been established, as well as a filing system that allows for ready accessibility by Contracts and Procurement Administration staff members and managers. The Contracts Assistant has ensured that files have been numbered and filed properly, and now maintains a central control, or "locator system" as required by 27 DCMR 1203.8 to ensure the ability to efficiently locate files.

Database Review

- We noted data input errors relating to procurement type, award amounts, contract numbers, contract types, purchase order numbers, period of performance, etc.
- There was one (1) instance at CFSA in which the contract was listed as a competitive sealed proposal RFP, however, the actual contract was a sole source contract. There was another contract at Office of Chief Technology Officer (OCTO) which was listed as a small purchase; however, it was actually a sole source contract.
- The database contained contracts with the same contract number and different vendor names, award dates, and procurement methods.
- For some contracts selected, the database did not identify the procurement method and contract numbers used.

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- We noted that some contracts covering the same vendor, award date, and amounts were entered multiple times.
- From the sample tested, we noted that three (3) grants were inappropriately included as contracts.
- We noted that DMH and CFSA did not have databases which track all contracts; instead contracts are entered into an Excel spreadsheet for which the agencies could not confirm its completeness.

We recommend that the District strengthen controls over its contracting database. It is critical that periodic reviews are conducted during the year to ensure the integrity of the database. Commodity managers should be responsible for the review of the information and a report documenting any errors and their disposition should be communicated to senior management.

We also recommend that the District consider the design and maintenance of a centralized tracking system with information that identifies the amount and status of each contract entered into.

Management's Response:

The proposed fiscal year 2008 budget for the Office of the Chief Technology Officer (OCTO) includes a request for additional funding to improve OCP's centralized tracking system. If the request is approved, the District's procurement activities will then be streamlined and automated into a centralized procurement data system, thereby dramatically improving the efficiency of the vast majority of procurement operations. The upgrade to the central tracking system will serve as the technology and business process foundation necessary for the District, to not only, achieve its procurement goals but to provide better tracking, reporting, and monitoring of procurement activities.

CFSA's Contracts and Procurement Administration has recently been re-assessing its approach to the maintenance of an automated centralized tracking system. An Access database had previously been utilized to manage general contract information, but has not been maintained during the last six months in favor of a decision to manage contract information via MS Project.

The MS Project plan not only includes contract name, number, amount, and contract period, but also includes procurement planning milestones related to each contract. The Excel spreadsheets referenced in the findings hold the aforementioned information, as well as additional information such as contract type, monitor contact information, etc. It would be prudent to determine whether the Contracts and Procurement Administration is to participate in a District-wide contract tracking system managed by OCP before CFSA reinstates its Access database system.

Compliance with Regulations as outlined in the DCMR

- Two (2) contracts were in excess of the \$1,000,000 ceiling but there was no evidence of approval from the Council.
- Thirteen (13) transactions were recorded as accrued expenses in T Code accounts 808 and 805 and were not supported by valid contracts prior to the services being rendered. We were not provided with any evidence that the contracts had been submitted for ratification.

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- Support for ten (10) contracts which exceeded the dollar threshold for small purchases was not provided.
- Documentation to indicate the history of procurement was missing from one (1) file at DMH and two (2) at CFSA.
- Two (2) procurement files at CFSA lacked supporting documentation to show that there was full and open competition.
- Two (2) contracts lacked documentation in support of the rationale to limit competition (One was identified at CFSA and another at DMH).
- One (1) file reviewed at DMH lacked evidence that a cost/price analysis was performed.
- Tax verification responses were not provided for four (4) contracts from DMH and two (2) from CFSA. One (1) Notice of D.C. Official Attachment and Levy reviewed stated that the contractor owed the District for taxes totaling \$62,720.82. No evidence was provided to show that the contractor paid the taxes prior to the contract being granted.
- There was one (1) instance at OCP where a valid contract was not in place during the fiscal year. OCP awarded several bridge contracts to have services provided while the contract was submitted for approval.
- CFSA did not exercise Option 1 of a contract thereby causing the underlying contract to expire at 9/30/05. We noted that the vendor and CFSA were unable to reach an agreement on the Option 1 prices, however, the vendor continued to perform residential services after the expiration of the contract. In July 2006, instead of executing Option 1, CFSA awarded a sole source contract to this vendor as a replacement contract during the Option period.

Purchase Order Splitting

- Nine (9) occurrences, for which short-term purchase orders were individually less than \$1,000,000 but cumulatively totaled over \$1,000,000, were issued to the same vendor for similar services within a twelve month period.
- The District of Columbia Supply Schedule (DCSS) limits competition by restricting the pool of vendors for a number of goods and services performed by local companies. However, amounts over \$1,000,000 must be approved by the City Council. During our testing, we noted that two (2) agencies entered into contracts under the DCSS which exceeded \$1,000,000 without the evidence of approval from the City Council.
- Invoice splitting appeared to exist with two (2) vendors who provided similar services with different purchase orders. In addition, we were unable to determine whether invoice splitting occurred with eight (8) vendors because the agencies failed to provide the documentation.

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Limited Competition Small Purchases

- Thirty (30) written quotations were not provided for limited competition small purchases. Twenty-four (24) of the purchases were made from vendors outside of the local trading area.
- Seventy-eight (78) oral quotations were not provided for limited competition small purchases. This deficiency was noted at both the Independent Agencies such as OCFO, DMH, and CFSA as well as OCP.

Contracts Not Issued Timely

CFSA was required to issue contracts to various providers who perform services to the District's Foster Care population. At October 1, 2005, these contracts were not in place and the Contracting Office at CFSA issued Bridge contracts pending the preparation, approval, and awarding of new contracts to the providers. We noted that some of the vendors received contracts during the last quarter of fiscal year 2006.

We recommend that the District perform an assessment of the current training program available to contracting personnel. Focus should be placed on ensuring that these employees are trained in the compliance regulations applicable to contracts. The training program will assist in the employees obtaining the requisite tools needed to carry out their daily assignments. Training needs to be consistent and ongoing and not be considered as a quick fix to a long term problem. The District must also retain personnel with the appropriate competencies to ensure that procurement as a major process is guided properly.

We recommend that OCP and all independent agencies review their current contracting procedures with special focus on the contracting officers or designees and their responsibilities for ensuring compliance with contract dollar limitations and the approval process. The commodity managers should meet with senior procurement personnel to review the status of certain contracts during the year and action should be taken to remedy deficiencies cited.

We recommend that contracting personnel re-evaluate the controls that are in place over the issuance of contracts to healthcare providers. Since these contracts are recurring, the Contracting Officer should establish schedules to ensure that the contracts are approved prior to the beginning of the new fiscal year. In addition the Contracting Officer should ensure that all the appropriate approvals are obtained prior to the issuance of the contract.

Management's Response:

The Office of Contracting and Procurement (OCP) has already recognized the need for a professional development and certification program. In fiscal year 2007, OCP will distribute to all OCP employees a Training Policy Manual that establishes a professional development plan for all levels of procurement personnel. OCP's proposed fiscal year 2008 budget includes an enhancement for the OCP Training Unit to develop a certification program; however, the development of a certification program is contingent upon funding.

OCP will extend the training for the certification program to independent District contracting and procurement agencies. Additionally, OCP is creating a working group consisting of contracting officers and contracts specialists to randomly perform an internal audit of contracts to note and correct deficiencies found.

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As mentioned in an earlier response, the current Contracts and Procurement Administration Contract Administrator has made strides to ensure that required procurement documents are being completed and filed timely. In the past, deemed approval letters from City Council were not always sent to CFSA. The Contracts and Procurement Administration has successfully obtained some of the missing letters pertaining to prior year contracts, but is focused on ensuring that all new contract packages with value in excess of \$1,000,000 contain all required OAG and City Council approval documents. The Contracts and Procurement Administration is also ensuring that all documents are returned to this office, including the approval letter, for inclusion in our own Contracts and Procurement Administration files. Return of the approval letter had not been common practice.

The tax verification process had not always been fully executed prior to award, but this task has now been assigned to the Contracts and Procurement Administration's contract assistant. Tax compliance is also being monitored by the Contracts and Procurement Administration, as there are vendors with ongoing issues in this area.

The finding related to an award of a sole source contract as a "replacement contract" relates to a situation in which CFSA and the Contractor could not come to agreement on the terms of the exercise of the option. Due to the nature of the residential foster care services, CFSA sometimes is placed in a predicament as its overarching child welfare goals include permanence of children. In order to avoid a disruption in the placement stability of children, CFSA makes all efforts to maintain children in their current foster care placements. Provision of foster care services is a necessary government function that can sometimes exact emergency contract situations.

CFSA has been in the process of soliciting for many of its services that had been sole sourced in the past. The appearance of "purchase order splitting" was caused, in one instance, when the Contracts and Procurement Administration's plans to release solicitation on a particular date was delayed by the CFSA Program Office not having finalized the scope of work in a timely fashion. This caused unanticipated, short-term contracts issued to the same vendor for similar services. The Contract Administrator has addressed through a series of "Scope of Work" and "Contract Action Package" trainings for all CFSA components to ensure that Program staff are familiar with the processes, and ensure timely completion in order for the Contracts and Procurement Administration to solicit and award in a timely fashion.

We have significantly improved practices related to limited competition small purchasing practices. The Contracts and Procurement Administration now ensures that three quotes are solicited for each small purchase, and that the proof of these quotes is recorded in the contract files. The Contracts and Procurement Administration is also seeking vendors on the DC Supply Schedule and those that are LSDBE certified in order to meet all requirements in this regard. The Contracts and Procurement Administration has also improved on issuance of contracts in a timely manner. There have been instances in the past in which, due to the ongoing need for continued services without disruption, the Contracts and Procurement Administration has been required to put in place short-term, "bridge" contracts. The Contract Administrator has been making strides toward bringing the Contracts and Procurement Administration and all the CFSA components into an "effective acquisition planning" rubric.

As mentioned, training has been ongoing within the Contracts and Procurement Administration and across CFSA on all steps in the procurement process. Full implementation of the advanced acquisition planning policy and procedures outlined in the Standard Operating Procedures is an important goal of the Contracts and Procurement Administration.

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CFSA welcomes the opportunity to participate in OCP-sponsored training that might offer all contracting specialists, officers, and managers across District agencies with a uniform curriculum in basic and more complex procurement principle and practice. In the interim, the Contracts and Procurement Administration has offered external trainings to its staff, and several have obtained their CPPB certification. In addition, the Contracts and Procurement Administration is offering internal trainings on procurement policy and practice in an effort to fully implement the Standard Operating Procedures manual developed for its office. These Standard Operating Procedures are in accordance with Title 27 DCMR and FAR guidelines.

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2006-04 Noncompliance with the Quick Payment Act

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

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

Specifically, the due dates required are as follows:

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

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

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

For the year ended September 30, 2006, we noted seventy-two (72) instances where the District failed to comply with the Quick Payment Act.

Management's Response:

Payments to suppliers of goods or services should not be made without certification that the goods and or services have been received. Vendor payments associated with procurement activities are initiated through the Procurement Automated Support System (PASS). Payments are approved only after program operations have recorded the receipt of goods or services in PASS. PASS will not generate the payments until the receipt is recorded. The "receipt of goods and services recordation process" has not always been timely, and has occasionally resulted in untimely payments to vendors. The OCFO staff has increased its efforts to assist program operations in the timely recording of the receipt of goods/services. We are confident that the OCFO's support will significantly improve the timeliness of payments to vendors.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section III – Federal Award Findings and Questioned Costs

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-05	U.S. Department of Agriculture Special Supplemental Nutrition Program for Women, Infants, and Children CFDA Number 10.557	Allowable Costs: Time and Effort Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

OMB Circular A-87 also requires that 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.

Condition – DOH is not in compliance with OMB Circular A-87. 2 of the 8 employees sampled were improperly excluded from the semi-annual A-87 Certification.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total amount of annual salaries of the 2 employees excluded and the 8 employees sampled was \$116,056 and \$502,208, respectively. DOH did not provide the actual payroll amounts charged to this program by these employees. The total amount of payroll costs charged to the grant was \$1,112,558.

Effect – Failure to properly support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Views of Responsible Officials and Planned Corrective Actions – Management does not concur with the auditor's assumption that DOH is not in compliance with OMB Circular A-87. The certification for these employees is now available for review by the auditor. IT staff supported by the WIC grant were included in Schedule A of the Director's Office because the staff is under the direct supervision of the Chief Information Officer.

Going forward, certifications will not be individualized by administration, but grouped first by grant, with administration sub-groups. This should group all employees for each grant together no matter what administration they report to.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-06	U.S. Department of Health and Human Services Centers for Disease Control and Prevention – Investigations/Technical Assistance CFDA Number 93.283	Allowable Costs: Time and Effort Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

OMB Circular A-87 also requires that 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.

Condition – DOH is not in compliance with OMB Circular A-87. 10 of the 18 employees sampled were improperly excluded from the semi-annual A-87 Certification.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total amount of the annual salaries of the 10 employees excluded and the 18 employees sampled was \$578,068 and \$960,136, respectively. DOH did not provide the actual payroll amounts charged to this program by these employees. The total amount of payroll costs charged to the grant was \$4,669,492.

Effect – Failure to properly support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the auditors' assumption that DOH is not in compliance with OMB Circular A-87. Going forward, certifications will not be individualized by administration, but grouped first by grant, with administration sub-groups.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-07	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778	Allowable Costs: Time and Effort Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 requires that 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 period certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

OMB Circular A-87 also requires that 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.

Condition – DOH is not in compliance with OMB Circular A-87. 2 of the 11 employees sampled were improperly excluded from the semi-annual A-87 certification.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total amount of the annual salaries of the 2 employees excluded and the eleven employees sampled was \$165,293 and \$838,878, respectively. DOH did not provide the actual payroll amounts charged to this program by these employees. The total amount of the annual salaries of employees included in the A-87 Certification was \$6,809,766. Since some of the employees in the A-87 Certification work on multiple activities, the total payroll costs charged to the grant was \$4,122,455.

Effect – Failure to properly support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the auditors' assumption that DOH is not in compliance with OMB Circular A-87. Going forward, certifications will not be individualized by administration, but grouped first by grant, with administration sub-groups.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-08	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778 State Children's Health Insurance Program CFDA Number 93.767	Allowable Costs: SEFA Expenditures	Not Determinable

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

Condition – DOH did not separately track the Medical Assistance and State Children's Health Insurance (SCHIP) programs by CFDA number in the SOAR system. DOH combined expenditures for SCHIP with the Medical Assistance program within one CFDA number. SCHIP expenditures should be separately reflected in the SOAR system under its own CFDA number. In addition, DOH recorded expenditures for the State Survey and Certification of Health Care Providers and Suppliers (CFDA Number 93.777) in Title 18, Health Insurance (CFDA Number 93.002). Proper recording and postings of expenditures for Federal programs is imperative in complying with Federal regulations.

Context – This is a condition identified per review of the Schedule of Expenditures for Federal Awards (SEFA) and the process DOH uses to identify and record Medicaid and SCHIP expenditures in the SOAR system.

Effect – DOH's internal controls for tracking and recording expenditures do not appear to be adequate to ensure accurate preparation and presentation of the SEFA.

Cause – Lack of adequate internal controls for tracking and recording expenditures in SOAR. The SCHIP grant award does not have its own CFDA number in the SOAR system.

Recommendation – We recommend that DOH's Medical Assistance Administration strengthen internal controls to properly record and maintain SCHIP expenditures separately in SOAR under its own CFDA Number. In addition, we recommend that other grant expenditures be properly recorded in the correct CFDA numbers in the SOAR system.

Views of Responsible Officials and Planned Corrective Actions - Management concurs that SCHIP expenditures were tracked separately in the Medicaid Management Information System (MMIS) but not separately in SOAR.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Management will establish a separate grant and index to track SCHIP expenditures separately within SOAR. All other Federal and/or private grants are already being accounted for separately in SOAR. In addition, the misrecording of State Survey and Certification of Health Care Providers and Suppliers (CFDA Number 93.777) in Title 18, Health Insurance CFDA Number 93.002 will be corrected promptly.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-09	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778	Allowable Costs: Escheated Warrants	Not Determinable

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

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

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

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

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

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

Condition – DOH is required to identify cancelled and uncashed checks beyond a period of 180 days of issuance at the end of each calendar quarter; and refund all Federal Financial Participation (FFP) received for uncashed checks by adjusting the quarterly CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program*. We noted that DOH did not identify cancelled or uncashed checks over 180 days after issuance and refund the corresponding FFP in a timely manner. The Office of Financial Operations and Systems provides a list of cancelled and uncashed checks to DOH once a year, usually in June or July, listing cancelled and uncashed checks for the preceding calendar year. DOH reviews the list of cancelled and uncashed checks and determines whether to reissue a new check. However, based on DOH's current methodology, cancelled and uncashed checks have the potential to remain outstanding for over a year. Checks issued during the calendar year are not reviewed until the following year which potentially results in untimely refunds of the FFP to the Federal government.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

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

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

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

Recommendation – We recommend that DOH comply with the requirements in 42 CFR section 433 and establish adequate policies and procedures to ensure that cancelled and uncashed checks over 180 days from the date of issuance are identified on a quarterly basis and all FFP received for uncashed checks are refunded to the Federal government in a timely manner. In addition, we recommend that DOH identify cancelled and uncashed checks over 180 days after issuance for fiscal year 2006 and refund the amount of FFP and any interest liability incurred as a result of the delay.

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

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-10	U.S. Department of Health and Human Services HIV Emergency Relief Project Grants CFDA Number 93.914	Allowable Costs: Time and Effort Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

OMB Circular A-87 also requires that 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.

Condition – DOH is not in compliance with OMB Circular A-87. 2 of the 15 employees sampled were improperly excluded from the semi-annual A-87 certification.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total amount of annual salaries of the 2 employees excluded and the 15 employees sampled was \$134,469 and \$924,804, respectively. DOH did not provide the actual payroll amounts charged to this program by these employees. The total amount of payroll costs charged to the grant was \$1,239,715.

Effect – Failure to properly support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the auditor's assumption that DOH is not in compliance with OMB Circular A-87. Going forward, certifications will not be individualized by administration, but grouped first by grant, with administration sub-groups.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-11	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number 93.917	Allowable Costs: Time and Effort Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

OMB Circular A-87 also requires that 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.

Condition – DOH is not in compliance with OMB Circular A-87. 3 of the 16 employees sampled were improperly excluded from the semi-annual A-87 Certification.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total amount of annual salaries of the 3 employees excluded and the 16 employees sampled was \$130,176 and \$789,788, respectively. DOH did not provide the actual payroll amounts charged to this program by these employees. The total amount of payroll costs charged to the grant was \$1,801,776.

Effect – Failure to properly support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the auditor's assumption that DOH is not in compliance with OMB Circular A-87. Going forward, certifications will not be individualized by administration, but grouped first by grant, with administration sub-groups.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-12	U.S. Department of Health and Human Services HIV Prevention Activities CFDA Number 93.940	Allowable Costs: Time and Effort Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

OMB Circular A-87 also requires that 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.

Condition – DOH is not in compliance with OMB Circular A-87. 5 of the 12 employees sampled were improperly excluded from the semi-annual A-87 Certification.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total amount of annual salaries of the 5 employees excluded and the 12 employees sampled was \$290,345 and \$675,408, respectively. DOH did not provide the actual payroll amounts charged to this program by these employees. The total amount of payroll costs charged to the grant was \$2,454,069.

Effect – Failure to properly support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the auditor's assumption that DOH is not in compliance with OMB Circular A-87. Going forward, certifications will not be individualized by administration, but grouped first by grant, with administration sub-groups.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-13	U.S. Department of Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse CFDA Number 93.959	Allowable Costs: Time and Effort Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

OMB Circular A-87 also requires that 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.

Condition – DOH is not in compliance with OMB Circular A-87. 2 of the 18 employees sampled were improperly excluded from the semi-annual A-87 Certification.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total amount of annual salaries of the 2 employees excluded and the 18 employees sampled was \$127,024 and \$959,878, respectively. DOH did not provide the actual payroll amounts charged to this program by these employees. The total amount of payroll costs charged to the grant was \$6,006,345.

Effect – Failure to properly support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Views of Responsible Officials and Planned Corrective Actions – DOH agrees with the need to more intensely follow its policies and procedures. To ensure appropriate tracking of salary and wage hours, DOH will certify those hours through the use of personnel activity reports. These reports will ensure compliance with OMB Circular A-87.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

The District's new payroll system, "PeopleSoft", was implemented in fiscal year 2007 and provides for more effective automation of these daily activity reports. The activity reports will be monitored quarterly during the A-87 review process and approved at the agency level and by the DOH Chief of Payroll.

DOH agrees that the OMB Circular A-87 certification was not completed for the two employees who were identified. These two employees are appropriately funded by the block grant and will be included in the OMB Circular A-87 certification. The OMB Circular A-87 certification will be reviewed quarterly to ensure compliance.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-14	U.S. Department of Health and Human Services Maternal and Child Health Services Block Grant to the States CFDA Number 93.994	Allowable Costs: Time and Effort Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

OMB Circular A-87 also requires that 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.

Condition – DOH is not in compliance with OMB Circular A-87. 1 of the 9 employees sampled was improperly excluded from the semi-annual A-87 Certification.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total amount of annual salary of the 1 employee excluded and the 9 employees sampled was \$71,534 and \$610,870, respectively. DOH did not provide the actual payroll amounts charged to this program by this employee. The total amount of payroll costs charged to the grant was \$4,983,382.

Effect – Failure to properly support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH employees failed to follow existing policies and procedures to support payroll expenses charged to federal programs.

Recommendation – Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB A-87. Such information should also be monitored and approved by a responsible official of DOH.

Views of Responsible Officials and Planned Corrective Actions – Management does not concur with the auditor's assumption that DOH is not in compliance with OMB Circular A-87. The certification for these employees is now available for review by the auditor. IT staff supported by the grant were included in Schedule A of the Director's Office because the staff is under the direct supervision of the Chief Information Officer.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Going forward, certifications will not be individualized by administration, but grouped first by DOH grant, with administration sub-groups. This should group all employees for each grant together no matter what administration they report to.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-15	U.S. Department of Agriculture Special Supplemental Nutrition Program for Women, Infants, and Children CFDA Number 10.557	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA Agreement identifies 2 funding techniques for the Special Supplemental Nutrition Program for Women, Infants and Children program for the draw down of funds:

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

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

Condition – We reviewed 3 out of 6 draw downs made during fiscal year 2006 totaling \$7,430,944 and noted that 2 of the 3 draw downs sampled were not made in accordance with the provisions of the CMIA agreement.

Parts of the reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA6WIC11 and DA6WIC03 were made later than required per the CMIA agreement. The reimbursement requests (RCR Nos. DA6WIC11 and DA6WIC03) also included expenditures with the total amount of \$139,437 and \$620,601, respectively, which had not been disbursed when the requests for the drawdowns were made.

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

Effect – DOH is not in compliance with the provisions of the CMIA agreement. DOH's requests for federal funds for the program were not based on the exact amount of the actual disbursements. Interest may be owed to the Federal government. In addition, we noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

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

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

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Views of Responsible Officials and Planned Corrective Actions – Management does not concur that the Department of Health is not in compliance with the Cash Management Act of 1990 (CMIA) Agreement in regards to requesting timely reimbursement. The WIC grant has unique draw requirements outside of CMIA. DOH draws for food expenditures using an estimated amount based on past trends within the program. DOH reconciles the estimated amounts with actual amounts from the bank statements.

In fiscal year 2007 and beyond, management is working to amend the CMIA agreement to reflect a realistic time frame for drawing funds. Management plans to have the new methodology in place for the new CMIA agreement beginning with fiscal year 2008.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-16	U.S. Department of Housing and Urban Development Housing Opportunities for Person with AIDS CFDA Number 14.241	Cash Management: Funding Technique	Not Determinable

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

- Program payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of that disbursement.

This funding technique requires the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement. It also requires that the amount of reimbursement request shall be for the exact amount of the actual disbursement.

Condition – We reviewed 2 out of the 4 draw downs made during fiscal year 2006 totalling \$1,811,426 and noted that the 2 draw downs sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DTHOPWA1 (63HAHO) and part of DTHOPWA1 (53HAHO) were made later than required per the CMIA agreement. In addition, the reimbursement request for RCR No. DTHOPWA1 (53HAHO) included expenditures with the total amount of \$102,599 which had not been disbursed when the request for the drawdown was made.

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

Effect – DOH is not in compliance with the provisions of the CMIA agreement. DOH's requests for federal funds for the program were not based on the exact amount of the actual disbursements. Interest may be owed to the Federal government. In addition, we noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

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

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

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Views of Responsible Officials and Planned Corrective Actions – Management does not concur that the Department of Health is not in compliance with the Cash Management Act of 1990 (CMIA) Agreement in regards to requesting timely reimbursement. Management does not concur that funds were requested in advance before expenditure were incurred by the District.

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

In fiscal year 2007 and beyond, management is working to amend the CMIA agreement to reflect a realistic time frame for drawing the HOPWA grant. Management plans to have the new methodology in place for the new CMIA agreement beginning with fiscal year 2008.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-17	U.S. Department of Health and Human Services Centers for Disease Control and Prevention – Investigations/Technical Assistance CFDA Number 93.283	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA Agreement identifies 2 funding techniques for the Centers for Disease Control – Investigations and Technical Assistance program for the draw down of funds:

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

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

Condition – We reviewed 2 out of the 4 draw downs made during fiscal year 2006 totaling \$1,669,440 and noted that the 2 draw downs sampled were not made in accordance with the provisions of the CMIA agreement.

Parts of the reimbursement requests for Revenue Collection Receipt Nos. DT6BIO02 and DT6BIO03 were made later than required by the CMIA agreement.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions – Management does not concur that the Department of Health is not in compliance with the Cash Management Act of 1990 (CMIA) Agreement in regards to requesting timely reimbursement.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

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

In fiscal year 2007 and beyond, management is working to amend the CMIA agreement to reflect a realistic time frame for drawing funds. Management plans to have the new methodology in place for the new CMIA agreement beginning with fiscal year 2008.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-18	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – Title 31 Part 205 Sec. 205.33 states that "a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accordance with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102."

Further, Title 31 Part 205 Subpart A--Rules Applicable to Federal Assistance Programs Included in a Treasury-State Agreement, Sec. 205.12 states that "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".

The District's Cash Management Improvement Act (CMIA) agreement requires the government to minimize the time that elapses between the payment of the disbursement and the request for reimbursement. The costs must be incurred or paid out before reimbursement is requested from the program's funding.

Condition – DOH's requests for Medical Assistance funds included costs that had not been paid out before the request for reimbursement was made. As a result, DOH has received federal funds totaling \$16,466,386 with regards to the Medical Assistance program which is recorded as deferred revenue as of September 30, 2006.

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

Effect – Due to the fact that DOH's requests for funds for the program were not based on its immediate cash needs, interest may be owed to the Federal government.

Cause – DOH did not appear to exercise due diligence in reviewing the draw down prior to requesting the Federal funds.

Recommendation – We recommend DOH ensure adherence to its policies and procedures to make sure that program obligations have been incurred prior to requesting reimbursement. DOH should base its requests for funds on information consistent with grant requirements, the CMIA agreement, and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – DOH has implemented new procedures to ensure that expenditures are incurred and recorded prior to requesting reimbursement.

Government of the District of Columbia

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Beginning in fiscal year 2007, additional staff has been assigned to analyze Medicaid spending. The accounting supervisor is reviewing the analysis prior to the draw in order to ensure the correct amount is drawn. The reconciliation between MMIS expenditures, SOAR expenditures posted, and cash draw will be performed on a monthly basis, maintained for review and will involve the accounting staff and MAA staff. The draws for the third party liability (TPL) collections will be adjusted quarterly.

Additionally, the CMIA report for Medicaid will be restructured in 2007 to incorporate SOAR organization codes which will assist in preventing the overdrawing of federal funds. We will document all of these policies and procedures in 2007. Finally, the subject adjustments will be used to offset draws in fiscal year 2007.
