

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>
2006-19	U.S. Department of Health and Human Services HIV Emergency Relief Project Grants CFDA Number 93.914	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA Agreement identifies 2 funding techniques for the HIV Emergency Relief Project for the 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 the 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 4 out of the 13 draw downs made during fiscal year 2006 totaling \$2,572,705 and noted that 3 of the 4 draw downs sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) No. DA6HAA19, DA6HAA11 and DA6HAA33 were made over a month 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 concurs that the Department of Health is not in compliance with the Cash Management Act of 1990 (CMIA) Agreement in regards to requesting timely reimbursement.

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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.

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<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-20	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number 93.917	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA Agreement identifies 2 funding techniques for the HIV Care Formula Grants for the 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 the 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 the 7 draw downs made during fiscal year 2006 totaling \$6,095,532 and noted that the 3 draw downs sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) No. DA6HAA26 and part of DA6HAA14 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DA6HAA14 and DA6HAA20 included expenditures with the total amount of \$1,042,858 and \$1,297,721, respectively, which had not been disbursed when the requests for the drawdown were made.

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

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

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

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

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

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District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-21	U.S. Department of Health and Human Services HIV Prevention Activities CFDA Number 93.940	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA Agreement identifies 2 funding techniques for the HIV Prevention Activities Grants 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 the 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 4 out of the 10 draw downs made during fiscal year 2006 totaling \$1,438,995 and noted that 3 of the 4 draw downs sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA6HAA32 and DA6HAA06 were made later than required by the CMIA agreement. In addition, the reimbursement request for RCR No. DA6HAA17 included expenditures with the total amount of \$14,107 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.

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Views of Responsible Officials and Planned Corrective Actions – Management concurs that the Department of Health is not in compliance with the Cash Management Act of 1990 (CMA) Agreement in regards to requesting timely reimbursement. In fiscal year 2007 and beyond, management is working to amend the CMA agreement to reflect a realistic time frame for drawing the HIV Prevention grant. Management plans to have the new methodology in place for the new CMA agreement beginning with fiscal year 2008.

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<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-22	U.S. Department of Health and Human Services Maternal and Child Health Services Block Grant to the States CFDA Number 93.994	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 Maternal and Child Health Services Block Grant 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 the 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 the 9 draw downs made during fiscal year 2006 totaling \$2,474,863 and noted that the 3 draw downs sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA6V688C and DA6V688E were made later than required by the CMIA agreement. In addition, the reimbursement request for RCR No. DA6V688B included expenditures with the total amount of \$2,058,787 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.

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Views of Responsible Officials and Planned Corrective Actions – Management concurs that the Department of Health is not in compliance with the Cash Management Act of 1990 (CMIA) Agreement in regards to requesting timely reimbursement. In fiscal year 2007 and beyond, management is working to amend the CMIA agreement to reflect a realistic time frame for drawing the Maternal and Child Health Block grant. Management plans to have the new methodology in place for the new CMIA agreement beginning with fiscal year 2008.

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District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-23	U.S. Department of Health and Human Services State Children's Health Insurance Program CFDA Number 93.767	Eligibility	Not Determinable

Criteria or Specific Requirement – 42 CFR part 457 has specific requirements for the SCHIP program that defines in detail the eligibility requirements, supporting documentation requirements, and record retention policy.

Condition – The Department of Human Services' Income Maintenance Administration (IMA) is responsible for determining participant eligibility for the State Children's Health Insurance Program (SCHIP). IMA uses the Automated Client Eligibility Determination System (ACEDS) to evaluate the eligibility of the applicant. During our review, we noted the following exceptions:

- 1 of 45 participants reviewed was receiving SCHIP benefits for an additional two months after the participant reached his/her 19th birthday. This participant was ineligible because of being over the age requirement.
- The ACEDS system does not automatically discontinue benefits once a participant becomes ineligible due to the age requirement.
- 1 of the 45 participant files requested from IMA was not provided. Because IMA was unable to provide 1 of the selected participant files, we were unable to test the eligibility requirements for the 1 participant.

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

Effect – Ineligible participants may be receiving SCHIP benefits that they are not entitled to receive.

Cause – The ACEDS system does not have the ability to automatically discontinue the benefits once participants become ineligible. Further, participant files are maintained at several different locations instead of in a centralized location. This policy makes obtaining participant files a difficult task, and leads to the increased possibility of misplacing participant files.

Recommendation – We recommend that management develop internal control procedures to discontinue SCHIP benefits when the participant is ineligible. In addition, we recommend that IMA maintain participant files to substantiate the eligibility determination.

Views of Responsible Officials and Planned Corrective Actions – IMA continuously monitors caseloads and system generated reports. Management flags cases subject to change internally. System generated, daily reports from MMIS are received regarding persons who are inappropriately coded for assistance. IMA's Division of Program Operations has identified an individual to monitor this report and to ensure the appropriate and timely removal of these ineligible.

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<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-24	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778	Eligibility	Not Determinable

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

Condition – The Department of Human Services' Income Maintenance Administration (IMA) is responsible for determining participant eligibility for the Medical Assistance Program (MA). IMA uses the Automated Client Eligibility Determination System (ACEDS) to evaluate the eligibility of the applicant. During our review, we noted the following exceptions:

- 1 of 132 participant files sampled did not contain the necessary documentation to support the recertification of the participant to receive MA benefits.
- 1 of the 132 participant files requested was not provided.

Because IMA was unable to provide documentation for the 2 participants, we were unable to verify whether they were properly enrolled in the MA program.

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

Effect – Ineligible participants may be receiving MA benefits that they are not entitled to receive.

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

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

Views of Responsible Officials and Planned Corrective Actions – The audit finding indicates that participant files are maintained at several different locations instead of in a centralized location. Further, they indicate that this policy makes obtaining participant files a difficult task, and leads to the increased possibility of misplacing participant files.

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Case records for IMA customers are centralized at the seven service centers in accordance with the address and census tract where the customer lives. This system facilitates access of all District of Columbia residents to the programs and services provided by this agency.

IMA determines eligibility for all public assistance programs in the District, including food stamps, financial, and medical assistance. Medicaid and SCHIP applications are frequently taken in conjunction with applications for IMA programs and one case record is maintained for all programs.

All case records are tagged by name, address, and case number. Each service center maintains a secure file area and is assigned a filing clerk/s to maintain the files. All locations have established systems in which case records are filed and maintained. All staff will be issued detailed instructions on appropriately maintaining and securing case files.

IMA continuously monitors caseloads and system generated reports. We flag cases subject to change internally. System generated, daily reports from MMIS are received regarding persons who are inappropriately coded for assistance. This report is monitored for the appropriate and timely action of each case identified. Each location reviews system generated reports of TANF eligible Medicaid recipients to ensure program compliance.

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District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-25	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number 93.917	Eligibility	Not Determinable

Criteria or Specific Requirement – 42 USC 300ff-26(b) and the grant award agreement have specific requirements for the AIDS Drug Assistance Program (ADAP) that defines in detail the eligibility requirements, supporting documentation requirements, and record retention policy.

Condition – The Department of Health (DOH) – HIV/AIDS Administration (HAA) is responsible for determining participant eligibility for ADAP under the HIV Care Formula grant. During our review, the following was noted:

- 1 of 45 participants reviewed received ADAP benefits although the participant's file did not contain the necessary documentation to support the participant recertification to receive ADAP benefits.
- 1 of the 45 participant files requested was not provided.

Because HAA was unable to provide documentation for the 2 participants, we were unable to verify whether the 2 participants were eligible to participate in the program.

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

Effect – Ineligible participants may be receiving ADAP benefits that they are not entitled to receive.

Cause – HAA does not appear to have adequate internal control procedures to ensure that documentation is maintained and participant files are secured.

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

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding. The referenced client files were processed during the time period when DC ADAP staff was working at a remote location due to environmental hazards in the HIV/AIDS Administration's work space. HAA subsequently recertified the participants and documentation was made available to the auditor.

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No.
2006-26

Program

Findings/Noncompliance Questioned Costs

This finding # was not used.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-27	U.S. Department of Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse CFDA Number 93.959	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – The United States Code (42 USC 300x-22 and 42 USC 300x-24), Code of Federal Regulations (45 CFR sections 96.124 (b)(1), 96.125 and 96.128(a)(1) and (d)); and together with the OMB Circular A-133 Compliance Supplement provide for the level of effort and earmarking requirements for this program.

The Department of Health (DOH) - Addiction Prevention and Recovery Administration (APRA) should comply with the following earmarking requirements:

- The State shall expend not less than 20% of Substance Abuse Prevention and Treatment (SAPT) for primary prevention programs for individuals who do not require treatment of substance abuse.
- The State shall expend not less than 2% and not more than 5% of the award amount to carry out one or more projects to make available to individuals early intervention services for HIV disease at the sites where the individuals are undergoing substance abuse treatment.

Condition – DOH expended only 16% of the total SAPT expenditures for primary prevention programs for individuals who do not require treatment of substance abuse and did not meet the required minimum of 20%. DOH also expended more than 5% of the award amount to carry out projects to make available to individuals early intervention services for HIV disease. As a result, DOH is not in compliance with the requirements for earmarking.

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

Effect – Failure to comply with earmarking requirements could lead to a loss of funding.

Cause – APRA does not appear to have adequate policies and procedures in place to ensure that it complies with the requirements for earmarking.

Recommendation – APRA should establish more effective policies and procedures to ensure compliance with earmarking requirements. A staff person should be assigned responsibility to continuously monitor expenditures made during the year to ensure that earmarking requirements are met.

Views of Responsible Officials and Planned Corrective Actions – APRA agrees with this finding. Earmarking requirements will be established by policy and procedures to ensure appropriate block grant allocations. A new staff person has been assigned responsibility to continuously monitor expenditures made during the course of the year.

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District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-28	U.S. Department of Health and Human Services Maternal and Child Health Services Block Grant to the States CFDA Number 93.994	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – 42 USC 705(a)(3)(B) of the United States Code requires DOH use at least 30% of the federal funds for children with special healthcare needs.

Condition – DOH was required to expend at least \$2,164,371 in fiscal year 2006; however, DOH expended only \$1,777,164 or 24.6% of the Block grant funds for services for children with special healthcare needs.

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

Effect – Failure to comply with earmarking requirements could lead to a loss of funding.

Cause – Contractors and subgrantee vendors providing these services to participants did not meet enrollment goals for the targeted population, thus they were unable to expend all of their available funding under the grant agreement. Further, DOH did not use its financial accounting and reporting system to its fullest capability to track and monitor the earmarking requirements.

Recommendation – DOH should enhance its policies and procedures in tracking and monitoring of costs restricted for services for children with special healthcare needs. These policies and procedures should include DOH monitoring the accounting costs and budgets on a monthly basis with better utilization of its systems.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that the Department of Health did not meet the required 30% earmarked federal requirement for services to children with special health care needs. It should be noted that the earmarking requirement is satisfied over a 2 year period.

DOH will establish indices and the appropriate budgetary amounts in its Financial Accounting and Reporting System (SOAR) based upon the earmarking requirements so that expenditures can be closely monitored by Program Management, Budget and Accounting. The SOAR system should reflect earmarking indices effective October 1, 2007. DOH has also included earmarking monitoring on its monthly Budget meeting agenda for discussion with Program Management.

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District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-29	U.S. Department of Health and Human Services Centers for Disease Control and Prevention – Investigations/Technical Assistance CFDA Number 93.283	Procurement, Suspension, and Debarment	\$310,924

Criteria or Specific Requirement – Office of Management and Budget Circular A-102 Common Rule requires procurements to be competitively bid and the contract files to document the significant history of the procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.

Condition – DOH and the Office of Contracting and Procurement (OCP) were not able to provide proper documentation to support that 2 of the 12 procurement files sampled were in accordance with OCP's policies and procedures with regards to obtaining at least three quotations from vendors during contractor selection.

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

Effect – DOH could award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH could possibly issue procurement without the appropriate funding.

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

Recommendation – We recommend that OCP review its current contracting procedures with special focus on ensuring compliance with policies on obtaining at least three quotations from vendors and proper documentation of the rationale for selecting a particular vendor.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that the Office of Contracting and Procurement (OCP) was not able to provide proper documentation to support that two of the twelve procurement files sampled were in accordance with OCP's policies and procedures with regards to obtaining at least three quotations from vendors during contractor selection.

DOH notes that this finding should be listed under the Office of Contracts and Procurement, not DOH as other findings were similarly reflected under DHS for the Income Maintenance Administration (IMA).

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<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
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2006-30

This finding # was not used.

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<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
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2006-31

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District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-32	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778	Reporting	Not Determinable

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement, "Thirty days after the end of the quarter, States are required to electronically submit the CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program*. The CMS-64 presents expenditures and recoveries and other items that reduce expenditures for the quarter and prior period expenditures reported. The amounts reported on the CMS-64 and its attachments must be actual expenditures for which all supporting documentation, has been compiled and is available immediately at the time the claim is filed."

Condition – The Department of Health (DOH) is required to submit the CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program* within 30 days from the end of the quarter. During our review of the four quarterly CMS-64 reports for fiscal year 2006, we noted that 3 of the 4 reports were submitted after the 30 days requirement.

- The CMS-64 report for the quarter ended January 31, 2006 was submitted February 1, 2006, or 1 day later than required.
- The report for the period ended March 31, 2006 was submitted May 30, 2006, or 30 days past due.
- The report for the quarter ended September 30, 2006 was submitted November 9, 2006, or 9 days past due.

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

Effect – DOH is not in compliance with specified reporting requirements.

Cause – DOH does not have adequate internal controls over the preparation and submission of the CMS-64 report. No adequate policies and procedures are in place to ensure that the CMS-64 is submitted timely.

Recommendation – We recommend that DOH establish internal control procedures to ensure that the CMS-64 report is submitted within the required time frame.

Views of Responsible Officials and Planned Corrective Actions – Management acknowledges that the CMS-64s were submitted late in fiscal year 2006 for three of the four quarters. The reports that were one day and nine days late were caused by the compilation and review of the expenditures from both DOH and DHS to ensure accuracy. DOH will review all grant documents for reporting requirements to ensure timely reporting. DOH will also incorporate the CMS-64 due dates in its Grants Matrix to ensure that the quarterly cash transaction reports are submitted timely.

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2006-33

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<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
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2006-34

This finding # was not used.

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District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-35	U.S. Department of Housing and Urban Development Housing Opportunities for Persons With Aids CFDA Number 14.241	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – The Department of Health - HIV/AIDS Administration did not perform the required monitoring of its subrecipients. During our testing, we noted that out of 13 subrecipient monitoring folders sampled:

- 2 subrecipient folders had erroneous award information in the notice of grant agreement with regards to the earmarking requirement to limit the administrative costs to 7% of the grant award.
- 12 subrecipients did not submit their financial and programmatic packages and other reports on a timely basis.
- Documentation of the impact of noncompliance identified or the follow-up with 11 subrecipients was not able to be provided.
- Documentation of the impact of audit findings in the A-133 reports or the corrective action plan follow-up with 4 subrecipients was not able to be provided.
- As per the internal policy, site visits are required to be performed quarterly. However, per review of the subrecipient monitoring files, 9 subrecipient folders did not have the required number of site visits during the grant year. In addition, there was no evidence that on-site visit monitoring reports were transmitted or noncompliance identified was followed up with 13 subrecipients.
- 2 subrecipient folders did not have the close out report. 9 subrecipient folders contained close-out reports that were submitted late and some were not dated.

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

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

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Cause – HIV/AIDS Administration failed to follow existing policies and procedures to demonstrate that it has complied with the requirements of OMB Circular A-133 for subrecipient monitoring. Improper monitoring of subrecipients could lead to noncompliance with laws and regulations of federal awards and improper spending of federal funds.

Recommendation – The HIV AIDS Administration should adhere to its internal policies and procedures to ensure that it is appropriately monitoring subrecipient activities. In performing the monitoring function, the HIV/AIDS Administration should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of A-133 report, review of financial requirement, etc.).
- A formalized corrective action plan for A-133 reports with findings.
- Consideration of site visits, when appropriate.
- Its system for monitoring and follow-up with subrecipients who are not 100% in compliance with requirements.

The policies and procedures should outline an appropriate timeframe for follow-up and the types of follow-up required in various situations.

All documentation should be maintained for monitoring efforts in a subrecipient monitoring folder. The HIV/AIDS Administration should also establish safeguards to ensure all the subrecipients have had the required A-133 audit, if appropriate, and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – Management concurs in part that the HIV/AIDS Administration did not perform the required monitoring of its subrecipients as required by the OMB Circular A-133. The OMB Circular requires a grantee to monitor its subrecipients' use of Federal awards through various means which include site visits and other appropriate means. It also requires the grantee to ensure that required audits are performed and corrective actions are taken where applicable. In addition, it requires that these requirements be documented and files be maintained. While the HIV/AIDS Administration has complied with the basic requirements of the A-133, it has not met its own policy that is more stringent than required by the A-133.

HAA has revisited its policy and will streamline its monitoring procedures to meet goals based on the program content, structure, process, outcomes, and fiscal and administration requirements.

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District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-36	U.S. Department of Health and Human Services HIV Emergency Relief Project Grants CFDA Number 93.914	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – The Department of Health - HIV/AIDS Administration did not perform the required monitoring of its subrecipients. During our testing, we noted that out of 8 subrecipient monitoring folders sampled:

- 8 subrecipients did not submit their financial packages and other reports on a timely basis.
- Documentation of the impact of noncompliance identified or the follow-up with 4 subrecipients was not able to be provided.
- There was no evidence of on-site visits performed on 1 of the subrecipients.
- Documentation of the impact of audit findings in the A-133 reports or the corrective action plan follow-up with 3 subrecipients was not able to be provided.

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

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – HIV/AIDS Administration failed to follow existing policies and procedures to demonstrate that it has complied with the requirements of OMB Circular A-133 for subrecipient monitoring. Improper monitoring of subrecipients could lead to noncompliance with laws and regulations of the Federal awards and improper spending of federal funds.

Recommendation – The HIV AIDS Administration should adhere to its internal policies and procedures to ensure that it is appropriately monitoring subrecipient activities. In performing the monitoring function, the HIV/AIDS Administration should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of A-133 report, review of financial requirement, etc.).

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- A formalized corrective action plan for A-133 reports with findings.
- Consideration of site visits, when appropriate.
- Its system for monitoring and follow-up with subrecipients who are not 100% in compliance with requirements.

The policies and procedures should outline an appropriate timeframe for follow-up and the types of follow-up required in various situations.

All documentation should be maintained for monitoring efforts in a subrecipient monitoring folder. The HIV/AIDS Administration should also establish safeguards to ensure all the subrecipients have had the required A-133 audit, if appropriate, and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – Management concurs in part that the HIV/AIDS Administration did not perform the required monitoring of its subrecipients as required by the OMB Circular A-133. The OMB Circular requires a grantee to monitor its subrecipients' use of Federal awards through various means which include site visits and other appropriate means. It also requires the grantee to ensure that required audits are performed and corrective actions are taken where applicable. In addition, it requires that these requirements be documented and files be maintained. While the HIV/AIDS Administration has complied with the basic requirements of the A-133, it has not met its own policy that is more stringent than required by the A-133.

HAA has revisited its policy and will streamline its monitoring procedures to meet goals based on the program content, structure, process, outcomes, and fiscal and administration requirements.

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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>
2006-37	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number 93.917	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – The Department of Health - HIV/AIDS Administration did not perform the required monitoring of its subrecipients. During our testing, we noted that out of the 8 subrecipient monitoring folders sampled:

- 8 subrecipients did not submit their financial packages and other reports on a timely basis.
- Documentation of the impact of noncompliance identified or the follow-up with 5 subrecipients was not able to be provided.
- There was no evidence of on-site visits performed on 1 of the subrecipients.
- Documentation of the impact of audit findings in the A-133 reports or the corrective action plan follow-up with 1 subrecipient was not able to be provided.

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

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – HIV/AIDS Administration failed to follow existing policies and procedures to demonstrate that it has complied with the requirements of OMB Circular A-133 for subrecipient monitoring. Improper monitoring of subrecipients could lead to noncompliance with laws and regulations of the Federal awards and improper spending of federal funds.

Recommendation – The HIV AIDS Administration should adhere to its internal policies and procedures to ensure that it is appropriately monitoring subrecipient activities. In performing the monitoring function, the HIV/AIDS Administration should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of A-133 report, review of financial requirement, etc.).

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- A formalized corrective action plan for A-133 reports with findings.
- Consideration of site visits, when appropriate.
- Its system for monitoring and follow-up with subrecipients who are not 100% in compliance with requirements.

The policies and procedures should outline an appropriate timeframe for follow-up and the types of follow-up required in various situations.

All documentation should be maintained for monitoring efforts in a subrecipient monitoring folder. The HIV/AIDS Administration should also establish safeguards to ensure all the subrecipients have had the required A-133 audit, if appropriate, and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – Management concurs in part that the HIV/AIDS Administration did not perform the required monitoring of its subrecipients as required by the OMB Circular A-133. The OMB Circular requires a grantee to monitor its subrecipients' use of Federal awards through various means which include site visits and other appropriate means. It also requires the grantee to ensure that required audits are performed and corrective actions are taken where applicable. In addition, it requires that these requirements be documented and files be maintained. While the HIV/AIDS Administration has complied with the basic requirements of the A-133, it has not met its own policy that is more stringent than required by the A-133.

HAA has revisited its policy and will streamline its monitoring procedures to meet goals based on the program content, structure, process, outcomes, and fiscal and administration requirements.

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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>
2006-38	U.S. Department of Health and Human Services HIV Prevention Activities CFDA Number 93.940	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – The Department of Health - HIV/AIDS Administration did not perform the required monitoring of its subrecipients. During our testing, we noted that out of 8 subrecipient monitoring folders sampled:

- 6 subrecipients did not submit their financial packages and other reports on a timely basis.
- Documentation of the impact of noncompliance identified or the follow-up with 3 subrecipients was not able to be provided.
- Documentation of the impact of audit findings in the A-133 reports or the corrective action plan follow-up with 2 subrecipients was not able to be provided.

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

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – HIV/AIDS Administration failed to follow existing policies and procedures to demonstrate that it has complied with the requirements of OMB Circular A-133 for subrecipient monitoring. Improper monitoring of subrecipients could lead to noncompliance with laws and regulations of the Federal awards and improper spending of federal funds.

Recommendation – The HIV AIDS Administration should adhere to its internal policies and procedures to ensure that it is appropriately monitoring subrecipient activities. In performing the monitoring function, the HIV/AIDS Administration should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of A-133 report, review of financial requirement, etc.).
- A formalized corrective action plan for A-133 reports with findings.

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- Consideration of site visits, when appropriate.
- Its system for monitoring and follow-up with subrecipients who are not 100% in compliance with requirements.

The policies and procedures should outline an appropriate timeframe for follow-up and the types of follow-up required in various situations.

All documentation should be maintained for monitoring efforts in a subrecipient monitoring folder. The HIV/AIDS Administration should also establish safeguards to ensure all the subrecipients have had the required A-133 audit, if appropriate, and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – Management concurs in part that the HIV/AIDS Administration did not perform the required monitoring of its subrecipients as required by the OMB Circular A-133. The OMB Circular requires a grantee to monitor its subrecipients' use of Federal awards through various means which include site visits and other appropriate means. It also requires the grantee to ensure that required audits are performed and corrective actions are taken where applicable. In addition, it requires that these requirements be documented and files be maintained. While the HIV/AIDS Administration has complied with the basic requirements of the A-133, it has not met its own policy that is more stringent than required by the A-133.

HAA has revisited its policy and will streamline its monitoring procedures to meet goals based on the program content, structure, process, outcomes, and fiscal and administration requirements.

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District Agency – Department of Health (DOH)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-39	U.S. Department of Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse CFDA Number 93.959	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – The Department of Health (DOH) – Addiction Prevention and Recovery Administration (APRA) did not perform the required monitoring of its subrecipients. During our testing, we noted that out of the 8 subrecipient monitoring folders sampled:

- 7 subrecipients did not submit their financial and programmatic packages and other reports on a timely basis.
- Documentation of the impact of noncompliance identified or follow-up with 7 subrecipients was not able to be provided.

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

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – APRA failed to follow existing policies and procedures to demonstrate that it has complied with the requirements of OMB Circular A-133 for subrecipient monitoring. Improper monitoring of subrecipients could lead to noncompliance with laws and regulations of the Federal awards and improper spending of federal funds.

Recommendation – APRA should adhere to its policies and procedures to ensure that it is appropriately monitoring subrecipient activities. In performing the monitoring function, APRA should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of A-133 report, review of financial requirement, etc.).
- A formalized corrective action plan for A-133 reports with findings.

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- Consideration of site visits, when appropriate.
- Its system for monitoring and follow-up with subrecipients who are not 100% in compliance with requirements.

The policies and procedures should outline the appropriate timeframe for follow-up and the types of follow-up required in various situations.

All documentation should be maintained for all monitoring efforts in a subrecipient monitoring folder. APRA should also establish safeguards to ensure all the subrecipients have had the required A-133 audit, if appropriate, and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – APRA agrees with the finding that financial and programmatic packages and other reports were not submitted in a timely manner. Policies and procedures will be reviewed with subrecipients and their compliance with the requirements will be monitored. Non-compliance with requirements by subrecipients will result in a review of the subrecipients' status.

The grant administrators evidence our response to the Report Compliance/Non-Compliance to subrecipients not submitting their financial and programmatic packages and other reports on a timely basis. APRA sends subrecipients e-mails, makes telephone calls, conducts meetings and documents all efforts to bring subrecipients into compliance. Documentation of APRA contact with subrecipients is regularly maintained in subrecipient files.

APRA will refine its implementation of subrecipient monitoring tools to ensure better documentation of compliance reports, corrective action plans and other activities associated with subrecipient review.

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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>
2006-40	U.S. Department of Health and Human Services Maternal and Child Health Services Block Grant to the States CFDA Number 93.994	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – The Department of Health - Maternal Child and Health Administration (DOH) did not adequately monitor its subrecipients. During our review, we noted that DOH did not obtain the OMB Circular A-133 audit report for 3 of 6 subrecipients reviewed. In addition, since DOH did not obtain the A-133 audit report or verify through the Federal Clearinghouse that a report was completed, there was no written documentation in the files to verify that DOH issued decisions on audit findings within 6 months after receipt of the subrecipient's audit report.

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

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – DOH failed to follow existing policies and procedures to demonstrate that it has complied with the requirements of OMB Circular A-133 for subrecipient monitoring. Improper monitoring of subrecipients could lead to noncompliance with laws and regulations of the Federal awards and improper spending of federal funds.

Recommendation – DOH should adhere to its policies and procedures to ensure that it is appropriately monitoring subrecipient activities. In performing the monitoring function, DOH should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of A-133 report, review of financial requirement, etc.).
- A formalized corrective action plan for A-133 reports with findings.
- Consideration of site visits, when appropriate.
- Its system for monitoring and follow-up with subrecipients who are not 100% in compliance with requirements.

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The policies and procedures should outline the appropriate timeframe for follow-up and the types of follow-up required in various situations.

All documentation should be maintained for all monitoring efforts in a subrecipient monitoring folder. DOH should also establish safeguards to ensure all the subrecipients have had the required A-133 audit, if appropriate, and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – Management concurs in part that the Maternal and Family Health Administration (MFHA) did not fully perform the required monitoring of its subrecipients as required by the OMB Circular A-133. The OMB Circular requires a grantee to monitor its subrecipients' use of Federal awards through various means which includes site visits and other appropriate means. It also requires the grantee to ensure that required audits are performed and corrective action are taken where applicable. In addition, it requires that these requirements be documented and files be maintained. While MFHA has complied with the basic requirements of the A-133, it has not met its own policy that is more stringent than required by the A-133. In addition, the three A-133 subrecipients audit reports mentioned by the auditor as missing are currently available for review.

DOH is developing agency wide procedures and policies related to subrecipient monitoring which should provide structure and standardization to this process. In addition, MFHA is developing a Grants Monitoring and Evaluation unit that will aid in the subrecipient monitoring process.

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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>
2006-41	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778	Special Tests and Provisions: Provider Eligibility	Not Determinable

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

Per 42 CFR sections 431.107 and 447.10; and section 1902(a)(9) of the Social Security Act, in order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program.

Condition – The Office of Program Operations did not sign and approve 20 of the 76 provider agreements reviewed. The provider agreement sets forth the terms and conditions for participation in the Medical Assistance and State Children's Health Insurance Program (the Programs). Program Operations has contracted the function of collecting and maintaining enrollment documentation to include the provider agreement. The contractor then forwards the documentation to Program Operations for approval. Completion and approval of the provider agreement acknowledge that both parties understand and agree to the terms and conditions for enrollment in the programs. Since provider agreements were not approved, there is no assurance that DOH approved the provider for enrollment in the programs.

In a letter dated January 16, 2007, the Office of Program Operations acknowledged that several provider agreements on file did not contain the required signature from a District official within the Medical Assistance Administration (MAA). During the provider reenrollment process in 2002, the emphasis was on re-verifying existing active Medicaid providers, updating provider demographics and issuing new provider numbers. Less emphasis was placed on obtaining the required signatures on the provider agreements.

In addition, 1 of the 77 provider files sampled could not be located and as such, we were unable to test the provider eligibility requirements.

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

Effect – Without proper documentation, DOH could enroll providers that are not eligible to participate in the programs.

Cause – Program Operations is not monitoring the contractor to ensure that the enrollment documentation is properly completed and maintained. In addition, DOH does not have adequate internal controls for provider enrollment to ensure that documentation is properly completed and approved.

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Recommendation – We recommend that DOH establish procedures to monitor the contractor that is responsible for obtaining and maintaining enrollment documentation. In addition, we recommend that DOH establish procedures to ensure that provider agreements are approved and current licenses are on file prior to enrollment in the programs.

Views of Responsible Officials and Planned Corrective Actions – As of July 13, 2007, all but one (1) of the Provider application files that were unavailable for examination had been found and copies provided to the auditors. The application does not exist, as the provider did not reenroll in the MMIS. The Medical Assistance Administration does however, have the original enrollment application from 1980. There has been no claims activity for this provider since March 1989. The auditors agreed in our exit meeting on July 10th that provider licensing verified on line via the DOH website would be sufficient proof that those providers had a valid license. As of July 15, only one (1) provider file could not be located for the auditors

The above statement notwithstanding, MAA agrees that a more frequent and vigorous monitoring of MAA's fiscal agent is required on the part of MAA to avoid such occurrence. In the future MAA would institute a three (3) year pilot program of inspecting all active provider files to ensure completeness of all necessary records.

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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>
2006-42	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number 93.775, 93.777, 93.778	Special Tests and Provisions; Utilization Control and Program Integrity	Not Determinable

Criteria or Specific Requirement – Per 42 Code of Federal Regulations § 1007.11, duties and responsibilities of the State Medicaid fraud control unit requires that the unit conduct a Statewide program for investigating and prosecuting (or referring for prosecution) violations of all applicable State laws pertaining to fraud in the administration of the Medicaid program, the provision of medical assistance, or the activities of providers of medical assistance under the State Medicaid plan.

Condition – DOH's Medical Assistance Administration (MAA) is not referring all potential fraud cases directly to the Medicaid Fraud Control Unit (MFCU). The MAA's Office of Surveillance and Utilization (SUR) is mandated to perform surveillance and utilization reviews that monitor and control improper or illegal utilization of the program by the providers and recipients of medical services and make referrals to the MFCU if they suspect fraud or abuse. However, we noted that the SUR unit is referring potential fraud cases to the Office of Investigation and Compliance (OIC) within the DOH instead of referring the cases directly to the MFCU.

The OIC is conducting an investigation into the potential fraud case and then after inquiry and data gathering, it will then refer the case to the MFCU. This is a duplication of effort for OIC and interferes with MFCU investigating potential fraud cases once the case is referred to them.

On May 27, 2003, a Memorandum of Understanding was signed between the Office of the Inspector General Medicaid Fraud Control Unit and the Department of Health Medical Assistance Administration. The MOU delineates the terms and conditions for both parties. Specifically, it requires that the MAA refer matters when they have suspicion of fraud.

The MFCU, in their annual reports for calendar years 2005 and 2006 that were submitted to the Secretary of the U.S. Department of Health and Human Services, reported that the number of cases referred by MAA was minimal. MFCU has met with MAA staff to improve communications and increase the number of referrals. However, during fiscal year 2006, MAA referred only 10 of the 50 (20%) suspected fraud cases to the MFCU. MAA did not refer any of the 92 Abuse and Neglect cases referred to MFCU during fiscal year 2006.

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

Effect – The MFCU is not being fully utilized to investigate and prosecute potential fraud cases. In addition, the OIC is duplicating the effort of the MFCU by conducting its own investigation.

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Cause – MAA is not complying with the terms and conditions of the MOU signed between the MFCU and the MAA and is in violation of Federal Regulations.

Recommendation – We recommend that DOH comply with the terms and conditions of the MOU and make SUR referrals directly to MFCU. In addition, we recommend that MAA's OIC discontinue investigating referrals from SUR and comply with the requirements of 42 CFR section 1007 and let the MFCU investigate and prosecute potential fraud cases.

Views of Responsible Officials and Planned Corrective Actions – See below for responses from both MAA and the MFCU.

MAA's Response:

MAA does not concur the finding. During fiscal year 2006, MAA made 49 referrals for criminal fraud prosecution to the MFCU pursuant to the MOU signed between the MFCU and MAA. MAA also routinely assists the MFCU in its investigations of potential fraud cases by providing detail Medicaid claims payment and related data upon request from the MFCU, generally, in a timely manner. When a request is voluminous and requires extensive MAA production, MAA notifies the MFCU in advance and requests an extension of time in which to respond to the MFCU request.

If MAA were to follow the recommendations of this finding, MAA would be in violation of the federally required District of Columbia Medicaid State Plan, the federal regulations governing Medicaid, and the Deficit Reduction Act of 2006, and potentially, other federal and local laws, rules and regulations governing Medicaid program operations and safeguards.

Notwithstanding MAA's disagreement with and objection to the finding, MAA proposes that the MOU between the MFCU and MAA be amended to include additional checks and balances to ensure that MAA continues to make, and potentially increase, its Medicaid fraud referrals to the MFCU and, in turn, for the MFCU to prosecute referrals made by MAA in a timely manner.

MAA's State Plan Requires That It Operates A Fraud Detection And Investigation Program. Pursuant to federal law, the District of Columbia's Medicaid State Plan requires that:

"The Medicaid Agency has established and will maintain methods, criteria and procedures that meet all requirements of 42 CFR 455.13 through 455.21 and 42 CFR 455.23 for prevention and control of program fraud and abuse."

(See District of Columbia Medicaid State Plan, TN. No. 02-06 and 42 CFR 455.12).

Mandated in the requirements enumerated in 42 CFR 455.13 through 455.21 is the obligation of MAA, through the Office of Program Integrity, "to conduct preliminary investigations of potential Medicaid fraud or abuse to determine whether there is sufficient basis to warrant a full investigation." (See 42 CFR 455.14).

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The Office of Investigations and Compliance (OIC) located within the MAA, Office of Program Integrity (OPI), is the functional unit within MAA/OPI with whom the SURs unit, also located within MAA/OPI, works to conduct the preliminary investigations required by 42 CFR 455.14. Contrary to the statements contained in this finding, there is no referral, per se, within OPI between SURs and OIC, which equates to, or approximates, the referral that takes place from MAA to the MFCU. In fact, the working procedures and policies that are followed within OPI's SURs and OIC are intended to maximize the limited staff and resources of MAA in order for MAA to meet its federal and local obligations as required by law.

This finding fails to incorporate the federal regulations that require MAA to conduct its own preliminary investigations in order to determine whether a case should be: (1) referred to the MFCU; (2) pursued administratively with DOH/MAA; (3) referred to law enforcement responsible for non-Medicaid programs that are funded by government revenue sources, federal and/or local; and/or not pursued at all, because the case may be more appropriately resolved by program corrections made internally by MAA.

OIG's Response:

The Office of the Inspector General, Medicaid Fraud Control Unit agrees with the findings set forth above. MAA's non-compliance with federal statutes and the MFCU/MAA MOU has been discussed on numerous occasions with MAA staff and management since 2001. In fact, the MFCU has shared the federal statutes with the staff at MAA to insure that they are knowledgeable regarding their responsibility under law. MAA continues to violate the statute.

The MFCU has almost no contact with the SUR unit. As a result, the MFCU is not aware of what fraud detection activities are being undertaken by the SUR unit. The MFCU has no information regarding providers, provider types, or fraud schemes that are being reviewed for signs of fraud. One exception relates to "anonymous" referrals. In these instances, SUR unit staff members called the MFCU directly reporting matters previously referred to the OIC. The SUR unit staff generally indicates that they have referred information to the OIC and OIC has not acted on or responded to that referral. The only reason MFCU is made aware of the incident is because the OIC has not acted or responded at all.

In addition to duplicating the MFCU's efforts to investigate fraud, it is problematic that the activities of the OIC actually delay, interfere, impede, and complicate the MFCU's investigative activities. As part of their preliminary inquiry, the OIC gathers data, interviews witnesses, reviews documents, and visits provider sites. These OIC actions are extremely harmful, as providers are forewarned that they are the subjects of scrutiny, thereby giving providers the opportunity to amend or destroy documents, hire and fire staff, change practices, or otherwise alter evidence that may be critical to the criminal investigation conducted by the MFCU. In addition, the interviews conducted by the OIC create potential evidence problems for the criminal prosecutors, such as duplicative or conflicting statements of witnesses.

In some instances, the OIC refers suspected fraud not only to MFCU, but to multiple law enforcement agencies, including the Federal Bureau of Investigation (FBI) and the Health and Human Services Office of the Inspector General (HHS OIG). Management personnel at MFCU, FBI, and HHS OIG discussed the preliminary inquiry OIC conducts and all agree it creates problems.

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Those agencies requested that OIC simply identify potential fraud committed by providers and turn the matters over to law enforcement for investigation. That request was made because MAA is unnecessarily expending efforts, time, and resources conducting inquiries into fraud matters, delaying the referral of information to the MFCU, the law enforcement entity statutorily mandated to conduct the full investigation into suspected fraud. (see 42 CFR § 455.13 Methods for identification, investigation, and referral and § 455.15 Full investigation)

MAA's violation of the federal statute and the MOU is problematic. The federal statutory scheme clearly intends that the single state agency SUR unit detect fraud, and conduct a preliminary investigation (see 42 CFR § 455.14 Preliminary Investigation), then refer matters of suspected fraud to the MFCU for criminal investigation and prosecution. The MFCU staff of criminal investigators, auditors, and prosecutors should be the professionals who initiate the full investigation into potential fraud committed by providers.

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District Agency – University of the District of Columbia (UDC)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-43	U.S. Department of Education Higher Education Institutional Aid CFDA Number 84.031	Allowable Costs	Below Reporting Threshold

Criteria or Specific Requirement – Per OMB Circular A-87, it is noted that to be allowable under federal awards, costs must be adequately documented.

Condition – UDC failed to provide adequate supporting documentation to certify that only allowable costs were charged to the grant. While the amount is below the reporting threshold, UDC was unable to provide supporting documentation for 1 out of 45 expenditures selected for testing.

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

Effect – A lack of supporting documentation for program expenditures could result in disallowed costs. In addition, inadequate controls could result in unallowed transactions being paid with federal funds.

Cause – It appears that there are insufficient monitoring controls by the Agency's fiscal personnel to ensure that appropriate documentation is maintained in files.

Recommendation – UDC needs to review its monitoring controls to ensure that adequate supporting documentation is maintained for all expenditures incurred with federal awards.

Views of Responsible Officials and Planned Corrective Actions – A policy of file maintenance on a monthly basis has been put in place. Management will also put in place a procedure for imaging files for greater efficiency.

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District Agency – University of the District of Columbia (UDC)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-44	U.S. Department of Education and U.S. Department of Health and Human Services Student Financial Aid Cluster CFDA Number 84.033, 84.063, 93.925	Eligibility	Below Reporting Threshold

Criteria or Specific Requirement – In reviewing the OMB Compliance Supplement for the Student Financial Cluster under the heading *Calculation of Benefits*, specific reference is made to the over awarding of student financial aid,

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

Condition – During the testwork performed over UDC's Student Financial Aid (SFA) cluster, we noted 1 out of 77 instances of noncompliance regarding the awarding of Student Financial Aid. An over award in the amount of \$612 was noted. The student's financial need was \$8,938, and the student was awarded \$9,550 resulting in an over award of \$612.

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

Effect – Failure to properly calculate the benefit necessary for a student may result in over-awards that could jeopardize UDC's eligibility to participate in the awarding of SFA.

Cause – The student's financial need was miscalculated. UDC represents this to be an isolated incident.

Recommendation – We recommend that UDC reiterate to counselors the importance of awarding students financial aid amounts within the budget. Also, a review process is recommended as this will reduce and or correct the chances of errors in computation of SFA.

Views of Responsible Officials and Planned Corrective Actions – An over award occurs when a student receives financial aid in excess of their need, as determined by the institutional budget. In this case, the award exceeded the budget by \$612. As a corrective action, the implementation of the Banner Student System will eliminate the occurrence of over awards, by flagging awards that exceed the student budget. In the interim, a new policy will be established requiring that counselors double check awards against budgets manually, before disbursements, to ensure that an over award has not occurred. In addition, the Assistant director will also sign off on those reviews.

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District Agency – University of the District of Columbia (UDC)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-45	U.S. Department of Education and U.S. Department of Health and Human Services Student Financial Aid Cluster CFDA Number 84.033, 84.063, 93.925	Special Tests and Provisions: Return of Title IV Funds	Below Reporting Threshold

Criteria or Specific Requirement – 34 CFR section 668.22 requires that unearned Title IV funds be returned to the U.S. Department of Education (ED). Return of Title IV funds are required to be deposited or transferred into the student financial aid (SFA) account or electronic fund transfers initiated to ED as soon as possible.

Condition – We noted 2 separate issues related to special tests and provisions – Return of Title IV funding:

- We noted 3 adjustments that were made to UDC's Pell Authority via the ED Common Origination Data (COD), reducing it by \$3,732. In order to reconcile with the ED COD, UDC's Student Information System (SIS+) was adjusted. In the interim, SOAR Screen 61 was used to draw down funds from the ED. This resulted in UDC having \$3,732 in unearned Title IV funds (unsubstantiated funds) in its general ledger.
- We noted 4 out of 16 instances where Title IV funds earned were incorrectly calculated resulting in \$2,457 in Title IV funds to be returned. Since this amount was not previously identified, no refunds were made.

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

Effect – Non-compliance with return of Title IV funds could jeopardize UDC's participation in SFA programs.

Cause – It appears that there are insufficient monitoring controls at UDC over Title IV funds and over the related compliance requirements.

Recommendation – We recommend UDC staff review the funds draw down against the SIS+ system, noting any adjustments that would require return of Title IV funding and comply with requirement of returning Title IV funds in a timely manner. We recommend that the SFA office hold a work shop to educate staff on how to accurately calculate Title IV funds earned and the importance of returning unearned funds to the U.S. Department of Education timely. In addition, we recommend UDC implement a policy to review the calculation of unearned Title IV funding for all students who withdraw during each semester to ensure that the amount of funding earned is calculated correctly.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding.

1. \$ 2,104 should have been returned for two students. These returns were missed because the students did not appear on the weekly withdrawal reports.

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As a corrective action, we will order and synchronize the receipt of a new master withdrawal list to be requested from the IT Department with the weekly withdrawal reports. This will guard against occurrences where a student might be missed.

2. For another student, the refund was estimated manually and it was determined that her over award was within the \$50 tolerance allowed by ED in the R2T4 calculations. In essence, the amount of the over award is \$1.95. We feel that \$1.95 does not warrant an audit finding. As a corrective action, refund calculations will be done in the R2T4 system exclusively.
3. For another student, \$302.00 of the \$349.00 that was disbursed has to be returned based on the withdrawal date. As a corrective action, all R2T4 calculations will be reviewed by another counselor and signed off on by the Assistant Director or the Director.

Excess cash of \$3,732, which was recently returned to the ED by Finance, occurs when we draw down money from the ED in excess of that needed to cover student aid authorizations. This situation occurred last Fall after year end reconciliation, when it was discovered that adjustments were made in the Student Information System (SIS) that caused a need to return \$3,732 of the total amount drawn down for 05-06. This issue of excess cash was discovered through end of year reconciliation and should not be listed under the heading of return of Title IV funds which refers specifically and only to funds which are returned to ED based on students totally withdrawing from the University.

As a corrective action, a meeting between Financial Aid and Finance will be held before a drawdown occurs. The purpose of these meetings would be to reconcile payments to students in the SIS system with the amount available for drawdown in the ED system.

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

District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-46	U.S. Department of Education Vocational Rehabilitation Grants to States CFDA Number 84.126	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Vocational Rehabilitation program for the 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 8 out of 28 draw downs made during fiscal year 2006 totaling \$4,758,568 and noted that 6 of the 8 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. DT6DJ002, DT6DJ061, DT6MR016, DT6CS004, and DT6DJ042 were made later than required by the CMIA agreement.

In addition, reimbursement requests for RCR Nos. DT6CS015 and DT6MR016 also included expenditures with the total amount of \$232,291 and \$6,758, respectively, which had not been disbursed yet when the requests for drawdown were made.

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

Effect – DHS is not in compliance with the provisions of the CMIA agreement. DHS' 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 – DHS did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

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

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DHS is not in compliance with the Cash Management Act of 1990 (CMIA) Agreement covering the period 10/1/2005 through 9/30/2006 in regards to requesting timely reimbursement.

DHS normally draws down the LOC on a weekly basis. However, with this grant, all personnel costs are charged against it. Subsequently, portions of these costs are reclassified to Appropriated Funds to ensure that the Match and Maintenance of Effort (MOE) requirements are met. As a result, there are situations where the LOC draw had already taken place and the expenditure(s) was subsequently transferred to Appropriated Funds, thus creating the impression of an advance on the grant.

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

District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-47	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number 93.596	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 this 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 8 out of 36 draw downs made during fiscal year 2006 totaling \$19,229,938 and noted that 5 of the 8 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. DT6MR002 and DT6CS016 were made later than required by the CMIA agreement. In addition, payroll expenditures under RCR No. DT6DJ067 noted a clearance day of 1.

Reimbursement requests for RCR Nos. DT6CS016, DT6DJ067, DT6CS012, and DT6DJ062 included expenditures with the total amount of \$81,887, \$139,000, \$75,012 and \$36,470, respectively, which had not been disbursed yet when the requests for drawdown were made.

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

Effect – DHS is not in compliance with the provisions of the CMIA agreement. DHS' 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 – DHS did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

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

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

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DHS is not in compliance with the Cash Management Act of 1990 (CMIA) Agreement covering the period 10/1/2005 through 9/30/2006 in regards to requesting timely reimbursement.

DHS normally draws down the LOC on a weekly basis. However, during budget/expenditure reviews, it may get discovered that expenditures that were posted to the current year grant may, after discussion with the program and/or reconciliation, belong to the prior grant. As a result, there are situations where the LOC draw had already taken place and the expenditure(s) was subsequently transferred, thus creating the impression of an advance on the grant. This also explains why some disbursed expenditures have drawdowns with dates preceding it, because of the reallocation of the draw.

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District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-48	U.S. Department of Health and Human Services Social Services Block Grant CFDA Number 93.667	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 Social Services Block Grant 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 8 out of 29 draw downs made during fiscal year 2006 totaling \$5,636,485 and noted that 7 of the 8 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. DT6CS032, DT6DJ064, and DT6DJ046 were made later than required by the CMIA agreement. In addition, payroll expenditures under RCR No. DT6DJ064 noted a clearance day of 1.

Reimbursement requests for RCR Nos. DT6CS032, DT6DJ043, DT6DJ057, DT6CS016, and DT6CS034 included expenditures with the total amount of \$81,679, \$29,062, \$86,803, \$75,729, and \$81,734, respectively, which had not been disbursed yet when the requests for drawdown were made.

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

Effect – DHS is not in compliance with the provisions of the CMIA agreement. DHS' 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 – DHS did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

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

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DHS is not in compliance with the Cash Management Act of 1990 (CMIA) Agreement covering the period 10/1/2005 through 9/30/2006 in regards to requesting timely reimbursement.

DHS normally draws down the LOC on a weekly basis. However, during budget/expenditure reviews, it may get discovered that expenditures that were posted to the current year grant may, after discussion with the program and/or reconciliation, belong to the prior grant. As a result, there are situations where the LOC draw had already taken place and the expenditure(s) was subsequently transferred, thus creating the impression of an advance on the grant.

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District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-49	U.S. Department of Education Vocational Rehabilitation Grants to States CFDA Number 84.126	Eligibility	Not Determinable

Criteria or Specific Requirement – The State Vocational Rehabilitation (VR) Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (as per Section 102(a)(6) of the Act (29 USC 722(a)(6)):

- a) Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agrees to a specific extension of time; or
- b) The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

Condition – DHS was unable to provide support that eligibility determinations were within 60 days of the initial application to the program for 2 of the 20 cases selected for testing.

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

Effect – DHS may not be in compliance with the eligibility requirements of the program. Clients may receive services they are not entitled to receive.

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

Recommendation – The Rehabilitation Services Administration should evaluate the reporting process that flags client applications that are approaching 60 days so that the eligibility determination can be made in a timely manner.

Views of Responsible Officials and Planned Corrective Actions – The Rehabilitation Services Administration (RSA) continues to improve on determining eligibility for services within 60 days and in meeting other deadlines related to the provision of services to clients with disabilities. RSA vocational rehabilitation counselors, supervisors, rehabilitation assistants and other support staff have completed the mandatory training this fiscal year. Other training has been scheduled to begin August 15, 2007 through October 24, 2007 which will focus on the amendments to our regulations. Other initiatives are being discussed and developed to assist the vocational rehabilitation counselors with the ancillary services so that they will be free to make appropriate and timely eligibility decisions.

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We have strengthened our efforts to train staff and implement procedures that will assist counselors in meeting the mandated policy that clients are determined eligible or ineligible within 60 days. Additionally, counselors are being reminded through training of the requirement to have documentation to support all eligibility decisions.

RSA continues to experience challenges with vocational rehabilitation counselor staff shortages and as a result the current staff have larger than normal caseloads. However we continue to aggressively recruit counselors to reduce the caseload size of the existing staff. Also clients continue to miss appointments with medical providers and fail to bring in existing assessments which significantly impacts the counselor's ability to make timely eligibility determinations.

In summary, RSA will continue to develop policies, procedures and training to address compliance with federal and District requirements and adherence to eligibility determinations.

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District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-50	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number 93.596	Eligibility	Below Reporting Threshold

Criteria or Specific Requirement – Per 45 CFR section 98.20(a), in order to be eligible for services under §98.50, a child shall:

- (1)
 - (i) Be under age 13; or,
 - (ii) Up to age 19 (if incapable of self care or under court supervision),
- (2) Reside with a family whose income does not exceed 85 percent of State's median income for a family of the same size, and
- (3)
 - (i) Reside with a parent (or parents) who is working or attending a job-training or educational program;
 - (ii) Receives, or are in need of, or are receiving, protective services (42 USC 9858n(4); 45 CFR section 98.20(a)).

45 CFR 92.42, retention and access requirements for records Part (b) states, (1) except as otherwise provided, records must be retained for three years from the starting date. In addition, sound internal controls require that adequate supporting documentation be maintained.

Condition – DHS was unable to locate a file for 1 of the 57 case files selected for testing.

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

Effect – Without adequate support, ineligible participants may receive child care benefits they are not entitled to receive.

Cause – The file of the participant was not archived properly and was not forwarded to the appropriate individual(s) for retention.

Recommendation – Case files should be maintained in a central location and access to the files should be limited to authorized personnel only. For the child care providers trained to determine eligibility at their respective centers, the original file should be submitted to the Office of Early Childhood Development and management may consider maintaining a shadow file at the respective center.

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Views of Responsible Officials and Planned Corrective Actions – The record that could not be located was in the care of a Level II provider whose program had essentially disintegrated at the time of the audit. Nevertheless, Early Care and Education Administration (ECEA) is ultimately responsible for all eligibility records. Effective immediately, ECEA has instituted the following to address the cited problem:

1. Whenever a record is transferred to a Level II provider, the Intake and Continuing Services Unit (ICSU) will send only a copy of the record to the provider, and maintain the original in our closed files. (The missing file in this audit was one that had been transferred).
2. ECEA is scheduling interns from the University of the District of Columbia (UDC) to the Level II provider sites with the specific purpose to conduct matching of every record in the database with a paper record at the Level II site.
3. Level II providers were informed in a July 20, 2007 meeting about the policy issuance, Program Policies and Standards, issuance number 5-PQD-004-02, Chapter 5, section F, Record Keeping Requirements, dated June 27, 2007, that they will be held accountable for all customers' records:
 - (a) The provider is responsible to ensure that all children's records and documentation to support children's participation in the CCSP are maintained in a safe and secure manner to guard against misuse, misplacement, or loss.
 - (b) ECEA/PQD will hold the provider accountable for any and all missing records or documentation supporting children's participation in the CCSP by recouping payment for the child(ren) that the provider could not produce records and/or documentation to substantiate the eligibility of the child(ren) in accordance with the eligibility requirements in the CCSP for that time period.
 - (c) ECEA/PQD may revoke the Level II Provider Agreement and change the provider from a Level II to a Level I provider in the CCSP.
4. Eligibility Monitors will continue annual eligibility monitoring visits to each Level II center (100 percent eligibility monitoring of all Level II providers on site.) Matching a record with each child on payroll will continue to be one of our monitoring tasks.
5. ICSU will continue to strengthen efforts to locate old records when customers reapply to eliminate the problem of duplicated records for same customer. Each customer will have only one record.

ECEA has established goals to centralize all child care subsidy program records and scan all eligibility documents since 2005.

- (a) The ECEA is working with the District Department of Human Resources to realign the functions of the Administration. One of the realignment proposals is to establish a new Records Management Unit. This unit will be responsible for maintaining all case files to guard against misplacement of files or information.

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(b) The ECEA also has planned to secure appropriate equipment to scan all case files. The paper files will be indexed, stored, and secured to guard against misplacement or lost.

However, due to space, personnel and funding limitations, this record management project has not progressed in the speed as desired.

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District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-51	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number 93.596	Eligibility	Not Determinable

Criteria or Specific Requirement – The payment made by the District to the provider is a subsidy and is the difference between the daily contract cost of care and the assigned co-payment. The Eligibility Manual requires that the co-payment be evaluated yearly in order to take into account fluctuations in the participants' income levels.

Condition – DHS did not update co-payment rates for 1 of the 57 case files selected for testing.

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

Effect – An incorrect co-payment amount was initially paid to the childcare provider(s) of the program. If the co-pay information in the system is not updated on a regular basis, DHS may not be correctly disbursing federal funds.

Cause – The Agency represents it overlooked this one participant and failed to update the system upon completion of the re-eligibility review. DHS did not maintain the co-payment system in accordance with the program.

Recommendation – While the Agency has taken certain steps to remedy the situation, we still recommend that re-eligibility procedures include periodic updates of the Child Care database. Timely updates of the system based on the eligibility review would give more accurate co-payment information and daily contract costs paid to the provider(s).

Views of Responsible Officials and Planned Corrective Actions – The Early Care and Education Administration, though in agreement with this finding, does not believe this finding should be cited as a deficiency because appropriate corrective action had been taken. The worker responsible was terminated in 2006 due to this and other mistakes identified by the ICSU supervisor as a result of monthly random case files reviews. The ECEA data systems had safeguards in place that did not allow retroactive entering of correct information after the mistake was identified.

An eligibility worker may occasionally and inadvertently fail to enter the correct fee adjustments in the database as a result of the constant interruptions inherent to the job. The ICSU has instituted the following monitoring process to better enable the supervisor to uncover and correct errors:

1. An eligibility monitor will increase the monthly review of internal case records from one (1) percent to two (2) percent each caseworker's files. These are complete reviews covering all aspects of eligibility including the accuracy of fees and the entries in the database.

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2. The UDC interns will continue 100 percent review of the in-house records (completed by ICSU caseworkers) monthly to ensure that the case files comply with ECEA policies. The interns have been given additional instruction to re-calculate parent incomes, check the assigned fees for accuracy, and ensure that those same fees have been properly entered into the database. The ICSU Supervisor uses the findings as coaching tools with the workers.
3. These UDC interns will also visit Level II providers (those delegated the authority to conduct eligibility determinations) and review records specifically for the items in Section 2 above, as well as checking for a signed application.
4. Eligibility Monitors will continue their annual visits to each Level II program to evaluate all aspects of eligibility, including the correct computation of fees and their entry into the database.
5. A Social Service Representative has been assigned to spend 60% of her time as an Eligibility Monitor to increase our monitoring capability.
6. The ICSU Supervisor and the Eligibility Monitors continue to provide Eligibility Institutes and technical assistance to all caseworkers and providers who conduct eligibility determinations for ECEA. The last Eligibility Institute was conducted in March 2007 and the next Eligibility Institute has been scheduled for mid-August 2007.

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District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-52	U.S. Department of Education Vocational Rehabilitation Grants to States CFDA Number 84.126	Procurement, Suspension, and Debarment	\$ 123,000

Criteria or Specific Requirement – Office of Management and Budget Circular A-133 and A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that the procurements are properly documented in the entity's files; provide full and open competition supported by a cost or price analysis; provide for vendor debarment or suspension certifications; provide for retention of files; and that supporting documentation collaborate compliance with these requirements.

Condition – DHS and the Office of Contracting and Procurement (OCP) were not able to provide supporting documentation for 4 of the 15 procurement files selected for testing. More specifically:

- 3 files were unable to be located.
- 1 file did not contain documentation in accordance with the OCP's policies and procedures with regards to obtaining at least 3 quotations from vendors during contractor selection.

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

Questioned costs of \$123,000 represent the value of the procurements for which the supporting files were not able to be located.

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

Cause – Those responsible for procurement at DHS and OCP had high employee turnover during 2006 resulting in difficulty in locating files and documentation.

Recommendation – We recommend that DHS and OCP review its current contracting procedures with a focus on ensuring compliance with policies on tracking the location of files and documenting that full and open competition took place.

Views of Responsible Officials and Planned Corrective Actions – All of the Office of Contracting and Procurement records don't require open and full competition, it is based on the dollar amount which determines whether open and full competition is necessary and in accordance with the District of Columbia 27 DCMR Chapter 18- Small purchases.

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All procurement that goes thru the PASS system which ensures that funding is available otherwise, no procurement is approved. Due to restructuring of the Office of Contracting and Procurement, not all files are located at 64 New York Avenue, N.E. The Office of Contracting and Procurement is not responsible to date for post award monitoring, but does have policies and procedure established for procurement.

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

District Agency – Department of Human Services (DHS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-53	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number 93.596	Procurement, Suspension, and Debarment	\$ 14,948

Criteria or Specific Requirement – Office of Management and Budget Circular A-133 and A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that the procurements are properly documented in the entity's files; provide full and open competition supported by a cost or price analysis; provide for vendor debarment or suspension certifications; provide for retention of files; and that supporting documentation collaborate compliance with these requirements.

Condition – DHS and the Office of Contracting and Procurement (OCP) were not able to locate 1 of the 18 procurement files selected for testing.

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

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

Cause – Those responsible for procurement at DHS and OCP had high employee turnover during 2006 resulting in difficulty in locating files.

Recommendation – We recommend that DHS and OCP review its current contracting procedures with a focus on ensuring compliance with policies on tracking the location of procurement files.

Views of Responsible Officials and Planned Corrective Actions – All of the Office of Contracting and Procurement records don't require open and full competition, it is based on the dollar amount which determines whether open and full competition is necessary and in accordance with the District of Columbia 27 DCMR Chapter 18- Small purchases. All procurement that goes thru the PASS system which ensures that funding is available otherwise, no procurement is approved. Due to restructuring of the Office of Contracting and Procurement, not all files are located at 64 New York Avenue, N.E. The Office of Contracting and Procurement is not responsible to date for post award monitoring, but does have policies and procedure established for procurement.

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

District Agency – Metropolitan Police Department (MPD)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-54	U.S. Department of Transportation	Allowable Costs	\$19,021
	National Motor Carrier Safety		
	CFDA Number 20.218		

Criteria or Specific Requirement – Charges to the grant should be made in accordance with the grant plan and all other applicable grant regulations. Per the grant plan, each classification of officers will charge and bill salaries at a specified rate (35% for the Captain and Lieutenant and 85% for the Sergeant and Inspectors).

Condition – 2 reports selected for testing used incorrect rates in calculating the amount to be charged to the grant. Based upon a review of the supporting documentation, it was noted that the rate used for the Lieutenant was 85% instead of the agreed upon rate of 35%.

Context – This is a condition identified per review of MPD's compliance with specified requirements. Questioned costs are based on the sum of \$7,925 for the second quarter report tested and \$11,096 for the fourth quarter report tested.

The supporting schedules for the reports were standard templates used every quarter; therefore, it appears the incorrect rate was used during the entire fiscal year. As such, all reports may contain the same error noted.

Effect – MPD appears to not be in compliance with applicable grant regulations and charged the grant in excess of the amount allowed.

Cause – The rate charged for the Lieutenant was the incorrect rate in accordance with the grant plan.

Recommendation – All reports should be reviewed and approved to ensure grant activity reported is in accordance with all pertinent grant requirements.

Views of Responsible Officials and Planned Corrective Actions – We concur with this finding and will refund the excess expenditure charged for the Lieutenant's salary.

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

District Agency – Metropolitan Police Department (MPD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-55	U.S. Department of Justice Public Safety Partnership and Community Policing Grants CFDA Number 16.710	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – Office of Management and Budget Circular A-102 Common Rule requires procurements to be competitively bid and the contract files to document the significant history of the procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.

Condition – MPD and the Office of Contracting and Procurement (OCP) were not able to support that 2 of the 10 procurement files sampled were in accordance with OCP's policies and procedures with regards to obtaining at least 3 quotations from vendors during contractor selection.

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

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. MPD could award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and MPD could possibly issue procurements without the appropriate funding.

Cause – The purchase order files contained a price reasonableness determination to determine the cost for services. The quotes were received from the vendor; however, the documentation to show that the quotes were sent out was missing from the files.

Recommendation – Procurement files should be reviewed by supervisory personnel to ensure all required documents necessary to support the history of the procurement are being maintained. The files should be stored in a central location and available for review for a minimum of three years after the completion of the contract performance period.

Views of Responsible Officials and Planned Corrective Actions – The Office of Contracting and Procurement (OCP) has recently reviewed the contract and purchase file policy and a contracting officer must sign off on the contract or purchase order file for completion. The signature will certify that all of the required documentation is included in the file.

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

District Agency – Child & Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-56	U.S. Department of Health and Human Services Promoting Safe and Stable Families CFDA Number 93.556	Allowable Costs	\$13,071

Criteria or Specific Requirement – OMB Circular A-87 states, "to be allowable under federal awards, costs must be adequately documented."

Condition – The following was noted during our testwork:

- Out of the 45 items requested, 16 items were not presented with any supporting documentation. This includes 3 items where the invoices were provided, however the client IDs were not listed.
- 20 of the 45 items requested showed discrepancies with the service provided. Per review of the OMB Circular A-133 Compliance Supplement, the services allowable cover community based services, family preservation services, family support services, and time limited family reunification services.
- 2 of the 45 items were deemed unallowable.

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

Effect – Lack of supporting documentation for program expenditures can result in disallowed costs. Since the grant requirements have identified specific expenditures allowed to be charged, CFSA's costs incurred may be disallowed.

Cause – It appears that costs were charged arbitrarily to the grant. In addition, there were insufficient monitoring controls to ensure that appropriate expenditures were charged and that the proper supporting documentation was maintained in the files.

Recommendation – We recommend that CFSA's fiscal personnel evaluate the controls over financial reporting since the expenditures charged are not consistent with the grant. In addition fiscal personnel should closely evaluate the current document retention policy.

Views of Responsible Officials and Planned Corrective Actions – The agency does not concur with these findings. As stated in the Compliance Supplement, PSSF dollars can be used for Community-based Services, Family Preservation Services, Family Support Services, and Time-Limited Reunification Services that achieve the following goals:

- (1) To prevent child maltreatment among families at risk through the provision of supportive family services.
- (2) To assure children's safety within the home and preserve intact families in which children have been maltreated, when the family's problems can be addressed effectively.

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(3) To address the problems of families whose children have been placed in foster care so that reunification may occur in a safe and stable manner in accordance with the Adoption and Safe Families Act of 1997.

(4) To support adoptive families by providing support services as necessary so that they can make a lifetime commitment to their children.

The Compliance Supplement provides examples of community-based services, family preservation services, family support services, and time-limited reunification services that may be funded with PSSF dollars, but these examples are not exhaustive lists of the only types of allowable services/activities. In fact, state child welfare agencies have considerable flexibility in developing/approving/funding of services that promote the general PSSF goals and objectives enumerated above. The allowability of these services (with respect to PSSF funding) is assessed according to their correlation to the goals/objectives enumerated above.

However, it is evident by the lay-out of the findings spreadsheet that the auditors are assessing the PSSF cost allowability based on whether or not the individual service activity is mentioned explicitly in the list of examples provided in the Compliance Supplement. Thus, certain CFSA cost items are at risk of being disallowed (no matter how germane they may be to the goals/objectives of PSSF) simply because their associated activities are not mentioned specifically in the Compliance Supplement or the regulation. For instance, CFSA contracts with community-based mentoring providers for at-risk youth and for foster care youth. Mentors are positive role models for children and their families; they promote self-awareness and self-confidence in our youth and help address and alleviate the causal factors of abuse and neglect. Mentors are an integral part of the supportive service array that CFSA has in place to promote safe and stable families. However, because "mentoring" is not explicitly mentioned as an allowable PSSF activity in the Compliance Supplement, the auditors have disallowed all cost items associated with it.

The same holds true for cost items associated with community-based services such as family and individual therapy/counseling and substance abuse out-patient services. CFSA funds such services specifically to promote the PSSF goals and objectives, but because the Compliance Supplement does not mention them explicitly, these cost items have been disallowed.

This approach contradicts the intent and objectives of the regulation. CFSA's position is that every cost item and service in question does indeed promote the safety and stability of our families, and that these services are consistent with (and hence compliant with) the intent of the regulations.

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

District Agency – Child & Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-57	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Allowable Costs	\$25,276

Criteria or Specific Requirement – OMB Circular A-87 states, "to be allowable under federal awards, costs must be adequately documented."

Condition – The following was noted during our testwork:

- CFSA could not provide supporting documentation or provide evidence that costs incurred were allowable for 6 of the 47 nonpayroll expenditures selected for testing.
- CFSA could not provide evidence that 7 of the 30 timesheets selected for testing were properly approved prior to payment.

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

Effect – Lack of supporting documentation for program expenditures could result in disallowed costs. In addition, inadequate controls could result in unallowed transactions being paid with Federal funds.

Cause – It appears that there are insufficient monitoring controls by the Agency's fiscal personnel to ensure that appropriate supporting documentation is maintained in the files and that the invoices are approved by the appropriate personnel.

Recommendation – We recommend that CFSA review its current record retention policy to ensure that complete documentation is maintained for all expenditures incurred in the Foster Care program. Access to the files should be limited to only authorized personnel. Removal/retrieval of supporting documentation should be tracked as to the person removing the documentation and the date the data was removed and returned.

Views of Responsible Officials and Planned Corrective Actions – The agency concurs with the finding. During the latter part of calendar year 2006 and into early 2007, the CFSA Fiscal Office engaged with a consultant to review the accounts payable function within the office. As part of that review, the consultant worked closely with the Fiscal Office's Document Control Unit to establish policies and procedures regarding the storage and maintenance of agency fiscal records and documents. The staff from the unit received training on these procedures and a procedures manual was developed. These procedures are now in place and operational.

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

District Agency – Child & Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-58	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	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. It requires that the amount of reimbursement request shall be for the exact amount of the actual disbursement.

Condition – CFSA is not in compliance with the CMIA agreement between the District and the Department of the Treasury. We noted that the CFSA was unable to provide expenditure support for drawdowns made for the Foster Care program. All 5 drawdowns tested were based on estimated expenditures.

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

Effect – CFSA may draw down funds in excess of its allowable limit.

Cause – CFSA did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs. The drawdowns are based upon estimated expenditures.

Recommendation – We recommend management should compare cash draws to expenditure reports ensuring that they are adequately supported.

Views of Responsible Officials and Planned Corrective Actions – CFSA has calculated an estimated drawdown of Federal Title IV-E revenue for each drawdown period. The estimated drawdowns are calculated using historical expenditure data for the program. The estimate is then discounted to ensure that an overdraw does not occur. This methodology is used because actual expenditure information is not available until 30-45 days after the close of each fiscal quarter. This actual expenditure information is used in support of CFSA's submitted claim to the Federal government.

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

District Agency – Child & Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-59	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Eligibility	Not Determinable

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

- The foster family home provider must have satisfactorily met a criminal records check with respect to prospective foster and adoptive parents (45 CFR sections 1356.30(a) and (b)).
- The licensing file for the child-care institution must contain documentation that verifies that safety considerations with respect to staff of the institution have been addressed (45 CFR section 1356.30(f)).

Condition – The following was noted during our testwork:

- Licenses were not provided for 4 out of a sample of 77 transactions with providers. In addition, we did not obtain documentation for 1 child. Per review of the FACES system, there is no information for the child's placement for the service date recorded by CFSA.
- Background checks were not provided for 9 out of a sample of 77 transactions with providers.
- Licenses that were provided for 2 of the 77 transactions with providers did not cover the service periods selected and reimbursed.
- Of the 77 files reviewed, 1 child was deemed ineligible but received services.

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

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs.

Cause – It appears that there are insufficient monitoring controls to ensure that appropriate supporting documentation is maintained in the files. In addition, oversight and review by the program personnel appears deficient.

Recommendation – We recommend that CFSA review its current record retention policy to ensure that complete documentation is maintained for each child enrolled in the Foster Care program. Access to the files should be limited to only authorized personnel. Removal/retrieval of supporting documentation should be tracked as to the person removing the documentation and the date the data was removed and returned. Since these transactions support maintenance payments it is also critical for CFSA to maintain the records which support federal awards.

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

Views of Responsible Officials and Planned Corrective Actions – See below:

Response to Condition 1:

CFSA confirms that the documentation was not provided to the auditors in a timely fashion partially due to internal preparation and work on the Child and Family Service Review (CFSR), as well as the restricted time frame within which this audit took place. However, CFSA denies that the sampled placements were not appropriately licensed. CFSA continues to make steady improvements licensing and documenting the licensure of both child day care facilities and foster care facilities. Since the last audit, CFSA has streamlined licensure processes and improved file maintenance. In an effort to ensure that 100% of licenses and background checks are current, complete, properly and securely filed, and accessible only by authorized personnel, CFSA is convening a work group consisting of various programs and units within the Agency to study and address the remaining areas of concern. The work group will consist of stakeholders from the Agency's Fiscal Office, Business Services Administration, Office of Planning, Policy and Program Support and Program Operations. The focus of the work group will be the development and implementation of solid processes and quality controls. In addition, an enhanced data entry processing and quality assurance system will be developed and implemented to ensure that licensure related data is accurately and promptly entered in FACES, and accurately reflects court documents.

Response to Condition 2:

7 of the 9 providers noted above are child day care facilities, for which there is no federal requirement to obtain background checks.

Response to Condition 3:

As CFSA has a very controlled process for paying and claiming foster care providers, it should be noted that 1 of the 2 providers referenced above are child day care providers.

Response to Condition 4:

Agency Concur.

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District Agency – Child & Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-60	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Eligibility	Not Determinable

Criteria or Specific Requirement – The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls over eligibility should include a quality control review performed by the eligibility unit supervisor of a sample of initial eligibility determinations and redeterminations on a rolling basis throughout the year.

Condition – It was determined that there was a lack of timely redeterminations over existing CFSA foster care cases. Our testing revealed that 77 out of 77 cases tested had eligibility redeterminations performed during June 2007 which is approximately nine months after the close of the fiscal year.

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

Effect – Lack of adequate and timely eligibility redeterminations could potentially result in over claiming of reimbursable expenses. Without timely redeterminations of eligibility, cases that were previously eligible for federal reimbursement, but have since become ineligible, would continue to be claimed indefinitely.

Cause – CFSA does not appear to be exercising due diligence by performing eligibility testing in a timely manner.

Recommendation – CFSA must establish procedures to ensure that all initial eligibility determinations and redeterminations are performed in a timely manner. Additionally, a supervisory quality control review should be placed into operation so that additional assurance might be provided that eligibility determinations are complete and accurate.

Views of Responsible Officials and Planned Corrective Actions – CFSA concurs in part and dissents in part. CFSA acknowledges that the absence of timely Re-Determinations increases the likelihood that client maintenance costs might be inappropriately claimed. We note, however, that the fiscal year 2005 A-133 audit found only one (out of a sample of 77) eligibility error and the fiscal year 2006 audit found none. These eligibility exception rates are such that they would easily meet the federal "Primary" or "Secondary" Eligibility Review Standards.

While the historic "backlog" of eligibility re-determinations has not been eliminated, CFSA currently meets the 12 month eligibility re-determination expectation [45CFR 1356.21 (b)(2)] at a rate of approximately 50%. We also note that failure to meet the re-determination expectation does not result in federal financial penalties (ACFY-CD-PIQ-85-06). Since June of fiscal year 2006, all initial determinations and re-determinations are reviewed by the Supervisor of the Eligibility Determination Unit.

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Finally, it is Agency practice to bring re-determinations to the then-current date for all audit samples (Federal Primary/Secondary Eligibility Review and A-133), including those that were otherwise current relative to the every twelve month standard and those for whom a Re-Determination was/is not yet required. Approximately half of the clients sampled had either a current re-determination or did not yet require a re-determination in the sample month. This represents substantial improvement over findings in fiscal year 2005 – an improvement that is not reflected in the audit narrative.

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

District Agency – Child & Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-61	U.S. Department of Health and Human Services Promoting Safe and Stable Families CFDA Number 93.556	Period of Availability	\$12,540

Criteria or Specific Requirement – Attachment A, OMB Circular No. A-87 Section C (1) (j), states that to be allowable under Federal awards, costs must be adequately documented.

Condition – Our test work revealed that out of a sample of 45 items tested, 24 related to services provided outside of the grant award period.

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

Effect – The District is not in compliance with the program directive governing the grant. Questioned costs amounted to \$12,540 for these expenditures.

Cause – It appears that management does not have adequate policies and procedures in place to ensure compliance with applicable period of availability requirements of the grant award.

Recommendation – We recommend that the District implement policies and procedures to ensure that expenditures are incurred and charged to the grant only during the period of availability.

Views of Responsible Officials and Planned Corrective Actions – CFSA concurs. Direct client expenses are booked to Title IV-B, Part 2 by a FACES (the local name for the federally mandated Child Welfare Information System referred to as SACWIS) program entitled "Payment Stamping". CFSA is currently reviewing the "Payment Stamping" logic to determine how expenses incurred during prior grant periods were booked to the following grant period. When identified, this logic error will be corrected so that subsequent periods are booked correctly (including fiscal year 2007).

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

District Agency – Child & Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-62	U.S. Department of Health and Human Services Promoting Safe and Stable Families CFDA Number 93.556	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – Section 1202.2 of the D.C Official Code states that documentation in each file maintained by the contract office shall be sufficient to constitute a complete history. Further, OMB Circular A-87 states "to be allowable under federal awards, costs must be adequately supported."

Condition – During our test work over procurement, we noted that CFSA procured the contracts tested as sole source, however, the files examined did not provide sufficient justification to support the basis of the contracting method used.

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

Effect – Contracts could be awarded to vendors without the required evaluation criteria as outlined in the DCMR.

Cause – Full and open completion is not done because the court selects the vendors contracted.

Recommendation – We recommend that the CFSA review its current contracting procedures with special focus on the contracting officers or designees and their responsibilities for ensuring compliance with the laws and regulations.

Views of Responsible Officials and Planned Corrective Actions – The Contracts and Procurement Administration has taken a number of steps to address this issue:

- 1) Court orders – A number of the sole source vendors we share contractual relationships with were ordered by the District of Columbia Family Court. When the Agency receives these types of orders, we are not allowed to solicit competition and must comply with all deliberate speed. Accordingly, once the Contracts and Procurement Administration has been notified, the contracts are prepared as swiftly as possible. To better provide justification for contracts, copies of the court orders in question must be provided before any contract will be awarded.
- 2) Determination and finding updates – At the time of preparation of a sole source contract, the Determination and Findings documents, which provide all the rationale for contracting with the sole source provider, must be presented to the Chief Contracting Officer to execution of the contract.
- 3) Internal audit program – Starting in April 2007, the Contracts and Procurement Administration commenced with an internal audit program. The program evaluated all active contracts to verify complete, and signed documents, in all contract files. This will ensure all necessary justification exist for contracts in the future.

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

District Agency – Child & Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-63	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number 93.658	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – S2301.05a of the DCMR states that prior to the award of a multi-million dollar contract or contract in excess of \$1,000,000 during a 12 month period, the Mayor (i.e. executive independent agency) shall submit the proposed contract to the Council for review and approval in accordance with established criteria. The requirement for Council approval shall extend to any contract action (which includes modifications and task orders). In cases where the Council has previously approved a contract with base year and option years, where an option year exceeds \$1,000,000, Council approval will be required again.

Section 1202.2 of the D.C Official Code states that documentation in each file maintained by the contract office shall be sufficient to constitute a complete history. Further, OMB Circular A-87 states "to be allowable under federal awards, costs must be adequately supported."

Condition – During our test work over procurement, we noted the following:

- Out of a sample of 12 procurement transactions selected, 9 required City Council approval. City Council approvals were not provided for 8 contracts.
- A Purchase Notification was not provided in 1 instance.
- 1 file was not provided.
- 2 files were missing the Determination and Findings documentation.

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

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

Cause – CFSA failed to properly maintain contracts files and in some instances proper documentation for procurement contracts due to an inadequate filing and tracking system.

Recommendation – We recommend that CFSA review its current contracting procedures with special focus on the contracting officers or designees and their responsibilities for ensuring compliance with the 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.

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Views of Responsible Officials and Planned Corrective Actions – See below:

Condition 1:

CFSA disagrees with the finding.

S2301.05a of the DCMR states that prior to the award of a multi-million dollar contract or contract in excess of \$1,000,000 during a 12 month period the Mayor (i.e. executive independent agency) shall submit the proposed contract to the Council for review and approval in accordance with established criteria. The requirement for Council approval shall extend to any contract action (which includes modifications and task orders). In cases where the Council has previously approved a contract with base year and option years, where an option year exceeds one million dollars, Council approval will be required again.

The audit findings state that 8 contracts required City Council approval. Those contracts are:

Fihankra Place, Inc.
Catholic Charities of the Archdiocese of Washington, D.C.
Girls and Boys Town of Washington, D.C.
National Association of Former Foster Children of America
Family and Child Services
Sasha Bruce Youthworks
Foundations for Home and Community
PSI Family Services

Of these contracts, CFSA believes only the contracts for Family and Child Services, Catholic Charities of the Archdiocese of Washington, D.C. and Foundations for Home and Community required City Council approval. The other contracts were in option years and in the contract period covered by this audit, the option values did not exceed a million dollars in value in a twelve month period. Consistent with the statutory authority, City Council approval was not necessary. The following are the contracts in question and their value:

Fihankra Place, Inc. - \$966,259.03
Girls and Boys Town of Washington, D.C. - \$957,760.00
Sasha Bruce Youthworks - \$905,514.40
National Association of Former Foster Children of America - \$814,425.27

The contract for Family and Child and Services, which was cited as requiring City Council approval, had said approval in the contract file.

Condition 2:

CFSA agrees with the finding. The Agency has created an internal control structure whereby no contract will be executed without the required funding approval.

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

Condition 3:

CFSA agrees with the finding. The Agency has created an internal auditing program to assess file quality and ensure file location.

Condition 4:

CFSA agrees with the finding. The Agency has created an internal auditing program to assess file quality, completeness, and ensure file location.

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

District Agency – Child & Family Services Agency (CFSA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-64	U.S. Department of Health and Human Services Promoting Safe and Stable Families CFDA Number 93.556	Reporting	Not Determinable

Criteria or Specific Requirement – The Federal Register/Vol. 68 states in part that "...The Federal Cash Transaction Report (SF 272) is due no later than 30 days after each specified reporting period." Further, as part of the compliance requirements, the Agency is required to submit quarterly SF-269 (Financial Status Reports) to the federal awarding agency and to the Program Support Center (PSC).

Condition – We reviewed the reports submitted for all four quarters and noted the following:

- For the SF 269, we noted that the only report filed was during February 2007 where the Agency filed a final financial status report.
- The SF-272 reports for all quarters were submitted more than 45 days after the end of each quarter.

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

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

Cause – CFSA failed to follow existing policies and procedures to ensure that the required reports were submitted on a timely basis.

Recommendation – We recommend that CFSA reevaluate its policies and procedures to ensure proper monitoring of grant activity and timely reporting of financial data required by the federal agency. In addition, these reports should be reviewed by an appropriate official, who would ensure that they are submitted in a timely manner.

Views of Responsible Officials and Planned Corrective Actions – The Agency concurs with this finding. An accounting supervisor has been hired by the agency fiscal office to oversee accounting activities and to ensure adherence to all applicable federal reporting policies and procedures to ensure proper monitoring of grant activity and timely reporting of financial data required by the federal agency. Subsequent quarterly SF-269s and SF-272s have been submitted to the Federal government fully approved and on-time.

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<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-65			

This finding # was not used.

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

District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-66	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Allowable Costs: Indirect Cost Activities	Not Determinable

Criteria or Specific Requirement – OAG has an approved 10% indirect rate agreement with the Federal government that is calculated based on direct wages.

Condition – OAG did not record the indirect costs and estimates that were included in its quarterly reports submitted to the federal granting agency in its SOAR accounting system.

Context – This is a condition identified per review of OAG's compliance with specified requirements. OAG included indirect costs and estimates in its quarterly reports of expenditures.

Effect – The Child Support Enforcement grant fund expenditures stated in SOAR are understated. OAG also does not appear to be requesting reimbursement for the indirect costs since the costs are not reflected in SOAR.

Cause – Indirect costs were not recorded in SOAR because a budget had not been established in the system for the costs.

Recommendation – We recommend OAG establish a budget for indirect costs in its SOAR accounting system and record any calculated indirect costs in the system accordingly.

Views of Responsible Officials and Planned Corrective Actions – OAG will implement the auditors' recommendations. Indirect costs will be recorded in SOAR.

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

District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-67	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Allowable Costs: Time and Effort Activities	\$61,766

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

For employees who work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation.

In addition, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards; be allocable to Federal awards under the provisions of the Circular; and be adequately documented to be allowable under federal awards.

Condition – OAG was unable to provide adequate supporting documentation for payroll costs charged to the grant in accordance with OMB Circular A-87 cost principles. More specifically, OAG had not completed signed semi-annual certifications for employees who worked 100% on the grant and personnel activity reports for employees who worked less than 100% of the time on the grant.

Furthermore, OAG had not consistently reconciled the payroll costs charged to the grant by the District's payroll system with the time and attendance forms completed by the grant employees.

Context – This is a condition identified per review of OAG's compliance with specified requirements. We reviewed 38 payroll transactions totaling \$61,766. The questioned costs are the sum of all the payroll transactions reviewed and charged to the federal grant.

Effect – The payroll costs charged to the grant are unallowable under OMB Circular A-87 Cost Principles.

Cause – OAG provided no reason for not completing the semi-annual certifications or personnel activity reports. It appears that comprehensive policies and procedures are not in place to ensure the completion of the semi-annual certifications and payroll reconciliation.

Recommendation – We recommend OAG establish policies and procedures over the completion of the semi-annual certifications and personnel activity reports for the employees whose time is charged to the grant.

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

Views of Responsible Officials and Planned Corrective Actions – OAG agrees with the auditors' recommendation that policies and procedures need to be established to ensure that semi-annual certifications are done. However, we do not agree with the questioned costs. Copies of both the time and attendance forms and the personnel action forms for the 38 employees whose records were requested were provided to the auditors. These documents support the payroll costs.

Government of the District of Columbia

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

District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-68	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	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 Child Support Enforcement grant 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 the disbursement; and
- Reimbursement of payroll expenditures require the use of the modified average clearance method and a clearance pattern of 0 days.

Condition – During the year, OAG prepared the CMIA Report; however we noted that the funding technique used for draw downs was not in accordance with the CMIA Agreement. In addition, OAG was unable to provide support for drawdowns made during the year.

Context – This is a condition identified per review of OAG's compliance with the provisions of the CMIA agreement. We reviewed 4 transactions reflected in the CMIA report prepared during the year.

Effect – OAG may draw funds in excess of its allowable limits and is not in compliance with the provisions of the CMIA agreement.

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

Recommendation – We recommend OAG perform the following corrective actions: (a) ensure that all draw downs are supported by actual expenditures; and (b) implement a review process to ensure adherence to the CMIA requirements.

Views of Responsible Officials and Planned Corrective Actions – In fiscal year 2006, the funding made available for drawdown from the HHS Payment Management System occurred after the Federal authority reviewed and approved actual expenditures claimed on the quarterly OCSE 396A Report. No drawdowns were based on estimated expenditures. The appropriate expenditure reports/records will be maintained with the drawdown documents. Corrective action will be taken to ensure adherence with the drawdown schedule identified in the CMIA Agreement.

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<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-69			

This finding # was not used.

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

District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-70	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Procurement, Suspension, and Debarment	\$471,782

Criteria or Specific Requirement – Office of Management and Budget Circular A-133 and A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that the procurements are properly documented in the entity's files; provide full and open competition supported by a cost or price analysis; provide for vendor debarment or suspension certifications; provide for retention of files; and that supporting documentation collaborate compliance with these requirements.

Condition – OAG procurement personnel were unable to provide 1 procurement file which had been selected for testing. We reviewed all procurements over \$25,000. The total number of procurement files selected for testing was 7.

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

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

Cause – OAG and the Office of Contracting and Procurement (OCP) did not provide a reason for being unable to locate the file. It appears that policies and procedures are not in place to ensure proper maintenance of records.

Recommendation – We recommend that OAG and OCP review its current contracting procedures with a focus on ensuring compliance with policies on tracking the location of procurement files.

Views of Responsible Officials and Planned Corrective Actions – OCP is responsible for maintaining the official contract file. OCP has informed OAG that the contract file has been located. We do agree that better coordination is needed to ensure that all requested files are provided. We have forwarded the auditors' recommendations to OCP for implementation.

Government of the District of Columbia

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

District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-71	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Program Income	Not Determinable

Criteria or Specific Requirement – The Child Support Enforcement grant allows 50% of program income received to be used towards enhancing the program's operations and the remaining 50% to be applied against cash drawdowns. Further, OMB Circular A-102 Common Rule requires that all program income be recorded in grantee's accounting records.

Condition – The Child Support Program Office tracks program income received from custodial and non-custodial parents in its system and then forwards program income to the accounting department for deposit and recording in SOAR. During the year, reconciliations were not performed between the DCCES system and the deposits reflected in SOAR. The Child Support System and SOAR reflected program income of \$3,796,691 and \$4,076,345, respectively, which represents an unreconciled difference of \$279,654. In addition, logs used to track the deposits were not reviewed by OAG personnel. We also noted that OAG understated program income reported in the third quarter by \$5,415. The program income included in the CMIA report was less than the amount included in SOAR by \$25,928.

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

Effect – There may be some program income not reflected in SOAR.

Cause – OAG does not perform reconciliations between the Child Support System and SOAR records of program income received.

Recommendation – We recommend OAG implement procedures to ensure that monthly reconciliations between the Child Support System and SOAR records are performed. All variances identified should be addressed timely. Enhanced review of program income reported is also recommended.

Views of Responsible Officials and Planned Corrective Actions – OAG agrees with the auditors' recommendations. We have implemented procedures for performing monthly reconciliations between DCCES and SOAR. In addition, procedures have been instituted for a more detailed review of program income reports. It should be noted that variances between the two systems is attributable to SOAR year-end closing dates. For example, program income collected on or near the last day of the fiscal year is recorded in DCCES for that fiscal year. The depositing and recordation of the program income in SOAR occurs on the next business day and posts to the new fiscal year.

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

District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-72	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Reporting	Not Determinable

Criteria or Specific Requirement – The Department of Health and Human Services requires OAG to submit quarterly SF-272 Federal Cash Transaction Reports. Financial reports submitted to the Federal government should be based on relevant accounting records.

Condition – OAG was unable to provide the Federal Cash Transaction Report for the quarter ended June 30, 2006. OAG was also unable to provide supporting documentation from its accounting system for the quarters ended December 31, 2005 and June 30, 2006.

Context – This is a condition identified per review of OAG's compliance with specified requirements. We selected two quarterly reports to review.

Effect – The quarterly reports may not accurately reflect OAG's cash transactions for the grant.

Cause – OAG did not file the report although funds were drawn down during the quarter.

Recommendation – We recommend OAG retain expenditure reports from SOAR as part of the draw down package each quarter. In addition, management should compare cash draws to expenditure reports ensuring that they are adequately supported. It is recommended that more than one person have the responsibility of preparing and maintaining the reports and supporting documents that are submitted to the Federal government.

Views of Responsible Officials and Planned Corrective Actions – OAG is instituting procedures to implement recommendations.

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

District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-73	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Special Tests and Provisions: Securing and Enforcing Medical Support Obligations	Not Determinable

Criteria or Specific Requirement – The IV-D agency must, unless the custodial parent and child(ren) have satisfactory health insurance other than Medicaid, petition the court or administrative authority to include health insurance that is available to the noncustodial parent at reasonable cost in new or modified court or administrative orders for support. (45 CFR 303.31 (b)1).

The IV-D Agency must petition the court or administrative authority to include medical support as prescribed in 45 CFR 303.31 (b)1 whether or not:- (i) Health insurance at reasonable cost is actually available to the noncustodial parent at the time the order is entered; or (ii) Modification of current coverage to include the child(ren) in question is immediately possible. 45 CFR 303.31 (b)2.

Petition the court or administrative authority to modify support orders for cases identified in paragraph (b)(3) of 45 CFR 303.31 to include medical support in the form of health insurance coverage.(45 CFR 303.31 (b)4).

The IV-D agency shall inform an individual who is eligible for services under Sec. 302.33 of this chapter that medical support enforcement services will be provided and shall provide the services specified in paragraph (b) of this section. (45 CFR section 303.31(c)).

If health insurance is available to the noncustodial parent at reasonable cost and has not been obtained at the time the order is entered, take steps to enforce the health insurance coverage required by the support order and provide the Medicaid agency with the information referred to in 45 CFR Sec. 303.30(a). (45 CFR section 303.31(b)(7)).

Provide the custodial parent with information pertaining to the health insurance policy which has been secured for the dependent child(ren) pursuant to an order obtained under this section.(45 CFR 303.31 (b)5..

Inform the Medicaid agency when a new or modified court or administrative order for child support includes medical support and provide the information referred to in 45 CFR 303.30(a) to the Medicaid agency when the information is available.(45 CFR 303.31(b)6.

Request employers and other groups offering health insurance coverage that is being enforced by the IV-D agency to notify the IV-D agency of lapses in coverage. (45 CFR 303.31(b)9.

Condition – During our testing, we noted the following:

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- 1) We noted 1 instance during which the Custodial Parent (CP) was receiving both Medicaid & support for medical services from the Non Custodial Parent (NCP). NCP was ordered to reimburse the CP \$50/month for medical services.
- 2) We noted 1 instance during which the NCP was ordered to reimburse Medicaid commencing 8/1/06; however, the Third Party Letter (TPL) was not generated until 4/4/07 because the monetary obligation was not set-up in the system and the contact letter was not sent until 4/18/07. This case was reviewed by the Medical Unit 9/2006 when a request was sent to add Medicaid obligation.
- 3) There were 3 instances during which Medicaid was not informed that a new or modified court or administrative order for child support included medical support until June 2007.
- 4) There was no evidence provided that warning letters were sent out to the NCP's Human Resources (HR) department in 1 case file. OAG needs to send out warning letters 40 calendar days after non-receipt of medical enrollment information from the NCP's HR department.
- 5) We noted in 2 instances that warning letters were not sent out to the NCP's HR department timely.
- 6) We noted that in 1 instance a request was sent to legal in June 2007 to terminate Medicaid as of 10/31/05 because the CP's Medicaid coverage ended on that date. The NCP was ordered to reimburse Medicaid and there is no evidence that the court order was modified.
- 7) The Medical Support Unit's staff does not have a tracking devise which alerts them as to the status of the warning letters. At any given time, the Unit's personnel are unaware of the number of outstanding cases.

Context – This is a condition identified per review of OAG's compliance with specified requirements. We reviewed 77 case files that were identified as medical cases in fiscal year 2006.

Effect – OAG may not be ensuring that the child receives proper Medical support services. In addition, the Federal government may be improperly paying for services. Cases are not followed up timely.

Cause – OAG does not utilize the tracking mechanism that exists to alert staff of when a task is to be performed; also, OAG does not have adequate resources to identify and enforce medical obligations.

Recommendation – We recommend that OAG establish a system that alerts employees of tasks that are to be done on a daily basis. Also, the OAG Medicaid Unit needs to review cases timely.

Views of Responsible Officials and Planned Corrective Actions – See below:

Response to Condition 1:

CSSD respectfully disagrees with the factual findings as to the noted exception. The noted case (360577*3) is an interstate case in which the District of Columbia is the initiating state. Pursuant to federal rule, the responding state is the jurisdiction responsible for obtaining the support order. 45 C.F.R. § 303.7(c)(7) (2007).

Response to Condition 2:

CSSD respectfully disagrees with the finding as to case number 368875*1. The federal regulation that requires the IV-D agency to notify the Medicaid agency when an order is entered does not have any associated timeframes. 45 C.F.R. § 303.31(b)(6) (2007). The audit report acknowledges that CSSD sent the communication.

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

However, the communication was deemed to be "untimely." CSSD disputes that it can be cited for failing to adhere to a time frame that does not exist. The only guidance that the federal regulations give about the frequency with which the IV-D agency should exchange information with the Medicaid agency is to say that the communication should occur "periodically." 45 C.F.R. § 303.31(b)(8) (2007).

CSSD also disagrees with the factual scenario described in the finding. On September 1, 2006, the Court entered an order for the non-custodial parent to pay \$10.00 per month beginning retroactively on August 1, 2006. Information Exchange form was sent on September 22, 2006, from the Medical Support Unit to the Audit & Program Management Unit asking that unit to set-up the Medicaid obligation on the system. The Medicaid obligation was set-up on DCCSES five days later, on September 27, 2006. The facts that the Medicaid letter was sent on April 4, 2007, and the contact letter to the custodial parent was sent on April 18, 2007, are wholly unrelated to the establishment of the obligation on the system.

Response to Condition 3:

CSSD respectfully disagrees with the finding as to case number 369233*1, 362853*1. The federal regulation that requires the IV-D agency to notify the Medicaid agency when an order is entered does not have any associated timeframes. 45 C.F.R. § 303.31(b)(6) (2007). In each case, the audit report acknowledges that a communication was sent to the Medicaid agency. However, the communication was deemed to be "untimely." CSSD disputes that it can be cited for failing to adhere to a time frame that does not exist. The only guidance that the federal regulations give about the frequency with which the IV-D agency should exchange information with the Medicaid agency is to say that the communication should occur "periodically." 45 C.F.R. § 303.31(b)(8) (2007).

Response to Conditions 4 and 5:

CSSD respectfully disagrees with the finding in Conditions 4 and 5 (case numbers 359572*2, 369233*1, 378078*2). Although CSSD does agree with the facts as presented, CSSD disputes that those facts result in a violation of any section of the Code of Federal Regulations.

Response to Condition 6:

CSSD does not agree with the finding.

Response to Condition 7:

There is no federal requirement that requires the tracking of warning letter statuses. The Condition noted is one of the auditors recommending an improved workflow, rather than auditing the Agency's compliance with federal law. In fact, although such a tracking system is not required, a work request was pending prior to the beginning of the audit to establish a system for sending a reminder to a Medical Support worker if a warning letter does not prompt the employer to send the medical information.

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District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-74	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Special Tests and Provisions: Enforcement of Support Obligations	Not Determinable

Criteria or Specific Requirement – The IV-D agency must take appropriate enforcement action within no more than 30 calendar days of identifying a delinquency or other support-related non-compliance with the order or the location of the non-custodial parent, whichever occurs later. If income withholding is appropriate, the IV-D agency must initiate income withholding within 15 days of locating the non-custodial parent's employer address. The IV-D agency must take another enforcement action if income withholding is not appropriate or unsuccessful. The IV-D agency must document any unsuccessful service of process attempts.

Condition – During our testing, we noted the following:

- 1) There was no evidence in 23 case files of OAG initiating enforcement action, within 30 calendar days of identifying a delinquency, against the non-custodial parents who were delinquent in their support obligations.
- 2) There was no evidence in 5 case files of OAG initiating any other type of enforcement action after determining that income withholding was either not appropriate or unsuccessful.

Context – This is a condition identified per review of OAG's compliance with specific requirements. We reviewed 77 case files that were open during fiscal year 2006.

Effect – OAG may not be providing the required child support services.

Cause – It appears that OAG does not have adequate resources to ensure compliance.

Recommendation – We recommend OAG either request additional local funds or use its program income to hire additional staff for its enforcement unit.

Views of Responsible Officials and Planned Corrective Actions – See below:

Response to Condition 1:

The audit cites the requirement that Child Support Services Division (CSSD) initiate enforcement action within 30 days of delinquency. "Enforcement actions" for these purposes include any action that is not tax intercept," including reporting the debt to the national credit bureaus, suspending the noncustodial parent's licenses, and contacting the noncustodial parent in order to collect on the debt.

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

For enforcement mechanisms that require service of process, CSSD has until 60 days after service of process completed to initiate enforcement action. Under District of Columbia law, enforcement by means of contempt requires service of process.

For each of these functions, federal law requires that CSSD employ automated data processing to not only perform the IV-D functions, but also to maintain the "data necessary to meet Federal reporting requirements." In October 2003, the District of Columbia's automated child support system was certified by the federal Office of Child Support Enforcement as being in compliance with federal regulations. It is this system, called the District of Columbia Child Support Enforcement System (DCCSES), by which CSSD maintains records of its compliance with all aspects of federal law.

In the area of enforcement for example, federal and District of Columbia law requires that CSSD report to national credit bureaus any child support debt that is \$1,000 or more. As per federal requirements, this process is automated such that DCCSES sends a monthly update to the national credit bureaus Equifax and TransUnion with the amount of arrears owed by noncustodial parents who meet the thresholds for reporting. The electronic submission is recorded in DCCSES for federal reporting purposes. The same is true for many of the enforcement activities that CSSD employs, such as (a) submission of the case to the Lottery Board to intercept any winnings, (b) submission for federal administrative offset, and (c) submission to the Department of Motor Vehicles for license suspension.

Response to Condition 2:

CSSD respectfully disagrees with the factual findings as to the cases noted as exceptions.

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District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-75	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Special Tests and Provisions: Provision of Child Support Services for Interstate Cases	Not Determinable

Criteria or Specific Requirement – The IV-D agency for initiating cases must within 20 calendar days of determining that the non-custodial parent is in another State, and if appropriate, receipt of all necessary information needed to process the case, refer the case to the responding State's Interstate central registry for action.

The IV-D agency must provide the responding State with any requested additional information or notify the responding State when the information will be provided within 30 calendar days of receipt of the request for information by submitting an updated form or a computer-generated replica in the same format and containing the same information, and any necessary additional documentation.

The IV-D agency must notify the responding State within 10 working days of receipt of new information on a case by submitting an update form and any necessary additional documentation.

Condition – We noted the following:

- 1) There was no evidence for 1 initiating interstate case file of when Child Support Services Division (CSSD) received all necessary information to process the case. Therefore, we were unable to determine if CSSD referred the case to the responding State's Interstate central registry for action within the required time.
- 2) Per review of the file, the case action report, and CSSD comments provided to us, there are 2 initiating interstate case files where the date of the Transmittal # 1 initial request is before the date CSSD received all the necessary information to process the case.
- 3) There was no evidence for 2 initiating interstate case files of OAG, within 20 calendar days of determining that the non custodial parent is in another State and after receiving all necessary information, referred the case to the responding State's Interstate central registry for action.
- 4) Per review of CSSD comments, there are 4 case files that the custodial parents failed to appear to the appointments; however, there are no evidence that the custodial parents failed to appear at those appointments.
- 5) There was no supporting documentation for CSSD comments for 5 case files.

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

Effect – OAG may not be providing the required child support services.

Cause – It appears that OAG does not have adequate resources to ensure compliance.

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Recommendation – We recommend OAG either request additional local funds or use its program income to hire additional staff for its enforcement unit.

Views of Responsible Officials and Planned Corrective Actions – See below:

Response to Condition 1:

In this case, paternity needed to be established, and long arm jurisdiction was appropriate under District of Columbia law because the child was conceived in the District of Columbia. The initial delay was caused by the failure of the custodial parent to provide the necessary documentation and multiple requests to reschedule the interview. However, once the information was provided, a local case was filed within the federal timeframes. Once it became clear that service of process could not be effectuated via certified/first class mail, the case was initiated to the other jurisdiction for a two-state case.

Response to Condition 2:

CSSD respectfully disagrees with the factual findings.

Response to Condition 3:

CSSD respectfully disagrees with the findings as evidence exists that the cases were forwarded to the other jurisdiction within the federal timeframes. In one case, as with Condition #1, long arm jurisdiction was explored first as required by federal regulations.

Response to Condition 4:

CSSD respectfully disagrees with the finding. First, CSSD disputes the factual findings as to three of the cases. As stated below, the automated system shows evidence of the custodial parents' failure to appear for scheduled appointments, and the Agency's subsequent measures to sanction them.

Even if the factual statements were accurate, CSSD disputes that the facts as stated result in a violation of any federal requirement. The IV-D agency is not required to prove that an appointment is missed. Personal interviews are only required under the rules if the agency wishes to close a case because paternity cannot be established. Even in such a case, the IV-D agency would need to prove that an appointment did happen, not that it did not happen.

It is not clear to CSSD how to prove that the custodial parent did not appear for an appointment, other than to note the failure in the system and take the next steps to process the case.

Response to Condition 5:

For the cases in this section, the condition that CSSD was purported to not have met was providing adequate documentation. However, the managers of the various Operations Sections of CSSD worked very closely with the auditors and provided them with files and requested documentation during the audit.

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District Agency – Office of Attorney General (OAG)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-76	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number 93.563	Special Tests and Provisions: Interstate Responding	Not Determinable

Criteria or Specific Requirement – According to 45 CFR, the IV-D agency for initiating cases must within 20 calendar days of determining that the non-custodial parent is in another State, and if appropriate, receipt of any necessary information needed to process the case, refer any interstate IV-D case to the responding State's interstate central registry for action. The IV-D agency must provide the responding State with any requested additional information or notify the responding State when the information will be provided within 30 calendar days of receipt of the request for information by submitting an updated form, or a computer-generated replica in the same format and containing the same information, and any necessary additional information. The IV-D agency must notify the responding State within 10 working days of receipt of new information on a case by submitting an update form and any necessary additional documentation.

The IV-D agency for responding cases must provide location services within 75 calendar days of receipt of Interstate Child Support Enforcement Transmittal Form if the request is for location services or if the form or documentation submitted does not include adequate location information on the non-custodial parent. The IV-D agency must notify the initiating State within 10 calendar days of locating the non-custodial parent.

Condition – Our review of selected OAG interstate responding case files revealed the following:

- 1) There were 26 Interstate Responding cases where the case files were not reviewed within 10 days of receipt from the initiating state.
- 2) There were 39 Interstate Responding cases where the Acknowledgment letters to the initiating states were not sent within 10 days of receipt from the initiating state.
- 3) There was no evidence in 7 case files of OAG responding enforcement action that the Agency collected and monitored support obligation from the non-custodial parent.
- 4) There was 1 instance during which no evidence was provided noting that the Child Support Services Division (CSSD) attempted to obtain judgment for costs when paternity was established.
- 5) There was no evidence provided in 1 case where the Agency attempted to establish child support obligation.

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

Effect – These issues causes delays with subsequent enforcement action(s).

Cause – Interstate responding cases files are not submitted to the Interstate Unit of OAG Child Support as soon as they are received by CSSD.

Government of the District of Columbia

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

Recommendation – We recommend OAG – CSSD deliver the case files to the Interstate unit as soon as the mail is received from the initiating state and the Interstate Unit to date-stamp the case file when the case arrives to their unit. This will help in creating accountability and identify where the delay occurs.

Views of Responsible Officials and Planned Corrective Actions – See below:

Response to Condition 1:

CSSD respectfully disagrees with the factual findings as to 25 of the cases listed as exceptions. Inherent in processing a case and the taking the next step to file the petition in court is a review of the documents provided. In each case listed below, the automated system clearly shows when the documents were received and that the case was packaged for the Court or filed within the timeframe required for the completeness of document review.

For the remaining cases, CSSD has taken many steps to improve the timeliness of processing interstate cases. First, the national CSENet system for communicating with other state IV-D agencies was implemented for the Interstate Unit. This streamlines the process significantly. CSSD is also reviewing and revising the process by which mail is sent to the Central Registry Unit. Finally, CSSD is seeking to establish a specific code to note when the documents are reviewed for completeness.

Response to Condition 2:

CSSD respectfully disagrees with the factual findings as to 31 of the cases noted as exceptions. For the remaining cases, CSSD refers to the improvements discussed for Condition #1.

Response to Condition 3:

CSSD respectfully disagrees with the interpretation of the noted criteria. CSSD agrees that as the IV-D agency it is required to collect and monitor "any support payments from the non-custodial Parents." However, this regulation is not an enforcement requirement; this monitors the operations of the State Disbursement Unit. For each payment sent by the custodial parent, CSSD must collect and monitor the payment.

Response to Condition 4:

The responding state seeks only the orders requested by the initiating jurisdiction in conformity with the laws of the responding state. In case number 348020*1, the other jurisdiction requested that CSSD seek a child support order but did not request reimbursement for genetic testing performed in that state. Further more, there is no federal requirement that a IV-D agency seek reimbursement for genetic testing from a non-custodial parent. A state is allowed to choose to absorb the local portion of the cost.

Response to Condition 5:

Criteria – The responding state is required to establish paternity only when appropriate. In case number 377967*1, the other jurisdiction requested that the District of Columbia register the child support order entered in their state for enforcement purposes. Paternity did not need to be established.

Government of the District of Columbia

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

District Agency – Department of Employment Services (DOES)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-77	U.S. Department of Labor	Cash Management	\$184,655
	Employment Service Cluster		
	CFDA Number 17.207,17.801,17.804		

Criteria or Specific Requirement – 31 CFR 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. 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 proportionate share of any allowable indirect costs.

Condition – Cash requested during the year could not be reconciled to the total expenditures incurred and recorded in SOAR.

Actual cash and accrued revenue per SOAR includes deferred revenue from the prior year of \$599,291 and the current year cash requests of \$2,879,386 totaling \$3,478,677. However, total expenditures were \$3,481,139 resulting in excess expenditures over revenue of \$2,462.

DOES also recorded an accounts receivable at year end in the amount of \$181,962 and had deferred revenue in the amount of \$366,617 (net deferred revenue of \$184,655) which could not be reconciled to the total expenditures. As such, DOES may have drawn down cash in excess of its immediate needs.

Context – This is a condition identified per review of DOES' compliance with specific requirements. Questioned costs in the amount of \$184,655 represent the net deferred revenue recorded at year end.

Effect – DOES may have cash on hand in excess of its immediate cash needs resulting in noncompliance with the provisions of 31 CFR 205.33 and interest may be owed to the Federal government.

Cause – DOES could not determine the reason for the variance.

Recommendation – We recommend DOES reconciles its cash on hand to the actual expenditures before draw downs are performed to ensure amounts requested are not in excess of its immediate cash needs.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding. The excess drawdown occurred because we included cash and accrued expenditures in the receivables. However, part of our accruals were cancelled reducing current year cash expenditures. Going forward, we will not drawdown on any receivables until all prior year accruals have been paid, cancelled, and/or all the adjustments have been made against the receivables.

Government of the District of Columbia

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

District Agency – Department of Employment Services (DOES)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-78	U.S. Department of Labor Unemployment Insurance CFDA Number 17.225	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 the District to comply with certain funding techniques and clearance patterns established for each of the federal major assistance programs identified.

For the Unemployment Insurance program, the agreement requires funds to be drawn from the U.S. Treasury using the *Modified Average Clearance* technique with a clearance pattern of 5 days for non-payroll transactions and 0 days for payroll transactions.

Condition – DOES is not in compliance with the CMIA Agreement between the District of Columbia (the District) and the United States Department of the Treasury. DOES used the *Estimated Allocation* funding technique for 9 of the 10 draw downs performed during the fiscal year and used a 1 day clearance pattern for its payroll transactions. Further, none of the 10 requests were performed biweekly in accordance with the provisions of the CMIA agreement.

Context – This is a condition identified per review of DOES' compliance with specific requirements. This finding was noted in the prior year audit but sufficient time had not elapsed for DOES to make the proper adjustment to correct the deficiency in the current year.

The process was not adjusted until August/September 2006, just prior to the end of the fiscal year under audit. As such, requests totaling \$8,462,016 made prior to August /September 2006 for the Unemployment Insurance program were incorrectly calculated and drawn down.

Effect – Failure to request funds in accordance with the CMIA agreement, may result in the U.S. Treasury taking one or more of the following actions:

- Denying the District payment or credit for any transactions which resulted in a Federal interest liability;
- Denying the reimbursement of all or a part of the District's interest calculation cost claim;
- Sending notification of the non-compliance to the affected Federal Program Agency for appropriate action;
- Requesting a Federal Program Agency or the Government Accountability Office to conduct an audit of the District to determine interest owed to the Federal government, and to implement procedures to recover such interest;
- Initiating a debt collection process to recover claims owed to the United States; or
- Taking other remedies legally available.

Government of the District of Columbia

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

Cause – The District received a new CMIA agreement in fiscal year 2005 but DOES was not informed of the new agreement and thereby, continued to use the methodology from the previous agreement.

Recommendation – We recommend DOES comply with the provisions of the CMIA agreement and request federal funds consistent with the required funding technique. In addition, a formal policy should be established to ensure all relevant parties are informed of any changes to the CMIA agreement to ensure compliance.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding. We were not in compliance for the first ten months of the fiscal year because we were not informed of the new agreement. However, as soon as we became aware, we followed the methodology from the new agreement in August and September 2006.

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Government of the District of Columbia

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

District Agency – Department of Employment Services (DOES)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-79	U.S. Department of Labor Unemployment Insurance CFDA Number 17.225	Eligibility	Below Reporting Threshold

Criteria or Specific Requirement - Claimants must meet certain eligibility requirements prior to the disbursement of unemployment insurance benefits. DOES has the responsibility of ensuring that these requirements have been met and there is sufficient evidence to support the determination of the claim. Further, 29 CFR.42 (b)(1) states that records must be retained for a minimum of three years.

Condition – 5 of 77 claimants tested did not have files or other documentation to review to determine if all of the eligibility requirements were met.

Context – This is a condition identified per review of DOES' compliance with specific requirements. The total amount of benefits paid to the five claimants in fiscal year 2006 is below the reporting threshold.

Effect – Compliance with eligibility requirements may not be fulfilled thereby allowing claimants to receive benefits that they may not be entitled to receive. Without the support of the files, it is difficult to determine that all criteria necessary for eligibility has been satisfied.

Cause – The claimant records were not properly filed by DOES to ensure easy retrieval for future review and audit.

Recommendation – We recommend DOES maintain records for a minimum of three years to ensure records are available for review. Files should be stored in a manner that allows easy retrieval for future review.

Views of Responsible Officials and Planned Corrective Actions – Each of the case files that could not be located had been purged from the active files by the time the audit was conducted. These purged files are kept in boxes for a year in a storage area before the records are shredded. Folders within the boxes however, are not arranged in social security order and the boxes are haphazardly labeled and stored. Corrective action instructions will be issued regarding the purging of the active files. These instructions will require that files be stored within boxes in social security order, that each box be prominently labeled with the range of social security numbers contained in said box, and that boxes be arranged in order within the storage room.

Government of the District of Columbia

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

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
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2006-80

This finding # was not used.

Government of the District of Columbia

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

District Agency – Department of Employment Services (DOES)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-81	U.S. Department of Labor Unemployment Insurance CFDA Number 17.225	Special Tests and Provisions: Employer Experience Rating	Not Determinable

Criteria or Specific Requirement – The interest amount is a component of an employer's reserve balance which is used to determine the employer's experience rating. The amount should be calculated and allocated correctly to properly state the employer's ending reserve balance.

Condition – The interest earned on the District's Unemployment Trust Fund maintained by the U.S. Treasury Bureau of Public Debt did not agree to the interest amount allocated to the individual employer accounts as reflected in the District Unemployment Tax Assessment System (DUTAS). The amount per DUTAS was \$30,474 higher than the amount reported by the Bureau of Public Debt.

Context – This is a condition identified per review of DOES' compliance with specific requirements and it represents an overall reconciliation issue.

Effect – Employers' accounts may be incorrectly stated potentially causing the experience employer rating to be incorrect. An incorrect rate for an employer could result in the overpayment or underpayment of unemployment taxes.

Cause – DOES did not verify the accuracy of the interest amount used in its allocation of the interest to the individual employer accounts against the amount reflected in the interest statements per the Bureau of Public Debt.

Recommendation – We recommend that authorizing officials within DOES review the accuracy of the trust fund interest before it is allocated to the individual employer accounts and used in the calculation of the experience rating.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding. Going forward, the Office of the Chief Financial Officer, when conveying to the Office of Unemployment Compensation the total amount of interest to be allocated to individual employer accounts, will certify that this amount coincides with the interest statements issued by the Bureau of Public Debt.

Government of the District of Columbia

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

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-82	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218 HOME Investment Partnerships Program CFDA Number 14.239	Allowable Costs: Indirect Cost Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87, Attachment A, states in Section H that:

1. No proposal to establish a cost allocation plan or an indirect cost rate proposal, whether submitted to a federal cognizant agency or maintained on file by the governmental unit shall be acceptable unless such costs have been certified by the governmental unit using the Certificate of Cost Allocation Plan as attached in the Circular.
2. No cost allocation plan or indirect cost rate shall be approved by the Federal government unless the plan or rate proposal has been certified. Where it is necessary to establish a cost allocation plan or an indirect cost rate and the governmental unit has not submitted a certified proposal for establishing such plan or rate in accordance with the requirements, the Federal government may either disallow all indirect costs or unilaterally established such a plan or rate.

Condition – DHCD does not have an approved Cost Allocation Plan on file as required by OMB Circular A-87.

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

Effect – DHCD is not in compliance with the requirements of OMB Circular A-87 related to cost allocation plans.

Cause – Management has not incorporated a formal process to obtain the required approval from its oversight/cognizant agency.

Recommendation – DHCD's management should ensure that a certified and approved cost allocation plan is prepared, submitted, and maintained on file for all indirect costs charged to federal programs.

Views of Responsible Officials and Planned Corrective Actions – DHCD has submitted a cost allocation plan for fiscal year 2006 to our cognizant agency, the Department of Housing and Urban Development (HUD). HUD will review the cost allocation plan and provide a response.

Government of the District of Columbia

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

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-83	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218	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 – DHCD does not prepare, submit, or maintain on record the time and effort certifications of the employees who work on federal grants, as required under OMB Circular A-87. Further, during our transactional testing of payroll costs, we noted a lack of adequate documentation to support payroll charges recorded in the general ledger for all 23 of the samples selected for testing.

Context – This is a condition identified per review of DHCD's compliance with specific requirements. The annual salary of the 5 selected employees which comprised the 23 selected sample items was \$333,055. Total payroll expenditures charged to the CDBG program for fiscal year 2006 were \$8,181,810.

Effect – The absence of certifications, as required by OMB Circular A-87, indicates a lack of review and the possibility of expenses being incorrectly allocated to federal awards. Further due to the absence of adequate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures.

Cause – DHCD appears to lack a system of internal controls that adequately ensures time and effort reports are completed in a timely manner to substantiate payroll charges to federal award programs. Further, controls and systems are not in place to generate adequate supporting documentation for federal payroll expenses charged.

Recommendation – Where employees work on a single 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 and wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87. DHCD management should ensure that adequate documentation is maintained on file for all expenditures charged to federal grants. Management may consider reviewing its current records retention policies taking into account that access to files should be limited to authorized personnel.

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 – As detailed in our fiscal year 2005 response, beginning October 1, 2005, the agency began tracking personnel costs for each employee on a detailed activity level. These time sheets are signed by each employee and their supervisor and are the basis for adjustments to personnel service cost allocations. These files were made available for review by the audit team.

Government of the District of Columbia

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

District Agency – Department of Housing and Community Development (DHCD)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-84	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218	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. It requires that the amount of reimbursement request shall be for the exact amount of the actual disbursement.

Condition – We reviewed three draw downs made during fiscal year 2006 for the CDBG grant totaling \$47,783,328 and noted that one of the three draw downs selected was not made in accordance with the provisions of the CMIA agreement. The drawdown reimbursement requests for some of the expenses included against drawdown voucher number 1282382 were made later than stipulated in the CMIA agreement.

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

Effect – DHCD is not in compliance with the provisions of the CMIA agreement. DHCD's requests for federal funds for the program were generally not based on the exact amount of the actual disbursements. 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 – DHCD 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 DHCD comply with the provisions of the CMIA agreement and request federal funds consistent with CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – DHCD will ensure compliance with our CMIA agreement in the future. One issue complicating compliance is that some of the grant funded activities cannot be drawn immediately after disbursement. There are requirements that must be met related to data input that build in delayed drawdown activity.

DHCD will also look at the CMIA agreement to see where changes can be made that will bring the agreement into line with operational and funding agency requirements.

Government of the District of Columbia

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

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-85	U.S. Department of Housing and Urban Development HOME Investment Partnerships Program CFDA Number 14.239	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. It requires that the amount of reimbursement request shall be for the exact amount of the actual disbursement.

Condition – We reviewed four draw downs made during fiscal year 2006 for the HOME grant totaling \$1,975,078 and noted that three of the four draw downs selected were not made in accordance with the provisions of the CMIA agreement. The drawdown reimbursement requests for some of the expenditures included in the total drawdown voucher number 1238629, 1282396, and 1282397 were made later than stipulated in the CMIA agreement.

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

Effect – DHCD is not in compliance with the provisions of the CMIA agreement. DHCD's requests for federal funds for the program were generally not based on the exact amount of the actual disbursements. 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 – DHCD 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 DHCD comply with the provisions of the CMIA agreement and request federal funds consistent with CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – DHCD will ensure compliance with our CMIA agreement in the future. One issue complicating compliance is that some of the grant funded activities cannot be drawn immediately after disbursement. There are requirements that must be met related to data input that build in delayed drawdown activity.

DHCD will also look at the CMIA agreement to see where changes can be made that will bring the agreement into line with operational and funding agency requirements.

Government of the District of Columbia

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

District Agency – Department of Housing and Community Development (DHCD)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-86	U.S. Department of Housing and Urban Development HOME Investment Partnerships Program CFDA Number 14.239	Eligibility	Not Determinable

Criteria or Specific Requirement – The following is noted:

- a. The OMB A-133 Compliance Supplement specifies certain eligibility requirements for the HOME Investment Partnership Program related to using grant funds for low and very low income families. Only low-income or very low-income persons, as defined in 24 CFR section 92.2, can receive housing assistance (24 CFR section 92.1). Therefore, the participating jurisdiction must determine if each family is income eligible by determining the family's annual income, as provided for in 24 CFR section 92.203. Participating jurisdictions must maintain records for each family assisted (24 CFR section 92.508).
- b. HOME-assisted units in a rental housing project must, pursuant to 24 CFR 92.216(a), be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged. The requirements also apply to the HOME-assisted non-owner-occupied single-family housing purchased with HOME Investment Partnership funds. The maximum HOME-assisted housing rents are the lesser of: the fair market rent for comparable units in the area, as established by HUD under 24 CFR section 888.111, or a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area as determined by HUD with adjustments for the number of bedroom units. In rental projects with five or more units there are additional rent limitations. Twenty percent of the HOME-assisted units must be occupied by very low-income families and meet one of the following rent requirements: (1) the rent does not exceed 30 percent of the annual income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustments for larger or smaller families; or (2) the rent does not exceed 30 percent of the families adjusted income (24 CFR section 92.252)
- c. A participating jurisdiction may use HOME Investment Partnership funds for tenant-based rental assistance, as provided for in 24 CFR section 92.209(b). The participating jurisdiction must select families in accordance with policies and criteria consistent with those provided in 24 CFR section 92.209(c).

Condition – DHCD did not maintain and provide required data to support that it had properly funded eligible individuals and families.

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

Effect – DHCD is in direct violation of the stated requirements as no records were maintained.

Government of the District of Columbia

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

Cause – DHCD did not implement any of the systems and controls necessary to ensure that funding was being provided to eligible recipients, as required by OMB Circular A-133.

Recommendation – DHCD should ensure individuals and families who occupied the HOME Investment Partnership grant assisted projects units are qualified in accordance with the specifications in the OMB Compliance Supplement and also ensure that data is properly documented and properly maintained. In addition this information should be available for review.

Views of Responsible Officials and Planned Corrective Actions – DHCD did maintain the data to support the fact that it had funded affordable individuals and families (households). The four projects reviewed are all serving low and very low-income households. The rent regulatory agreements in each of the four projects' closing documents specify the affordable households that are to be served by the projects. The agreements specify that the project designated units in each project shall serve the following low and very low-income households:

- Elsinore Courtyards – 0-60% of AMI for 32 units (twenty per cent of the 151 units in the project).
- Jubilee Housing – 0-60% of AMI for 48 units in the project.
- Wesley House – 31-50% of AMI for 8 units and 51-60% of AMI for 112 units.
- Victory Housing – 0-50% of AMI for all 75 units in the project.

DHCD's Office of Program Monitoring will ensure compliance with HOME regulations through the implementation of appropriate systems and controls.

Tenant Eligibility: Prior to a tenant occupying a unit, tenant eligibility will be documented with source documents, such as wage statements, interest statements, and unemployment compensation statements. Each tenant's income will be examined annually on the day of the original income evaluation or at lease renewal. At the time of on-site inspections of the project, DHCD will verify that tenant income certification/recertification documentation is in the tenant files for the selected sample.

Government of the District of Columbia

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

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-87	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218	Matching, Level of Effort, Earmarking	\$1,085,245

Criteria or Specific Requirement – Community Development Block Grant Compliance Requirements Attachment (G) (3 a, b) for Matching, Level of Effort, and Earmarking states that:

Not less than 70 percent of the funds must be used over a period of up to three years, as specified by the grantee in its certification, for activities that benefit low-and moderate-income persons. In determining low-and moderate-income benefits, the criteria set forth in 24 CFR sections 570.200(a)(3) and 570.208(a) are used in the Entitlement Program. The criteria set forth in 24 CFR sections 570.420(e) and 570.430(e) are used in the HUD-Administered Small Cities Program.

Not more than 20 percent of the total grant, plus 20 percent of program income received during a program year, may be obligated during that year for activities that qualify as planning and administration pursuant to 24 CFR sections 570.205 and 570.206 (24 CFR section 570.200(g)).

Condition – During fiscal year 2006, DHCD's Financial Summary Report showed that obligations for expenses related to public administration exceeded the maximum allowable 20%, as stipulated in the OMB A-133 Compliance Supplement. Actual obligations for public administration were 23%.

In addition during fiscal year 2006, DHCD used only 66% of the federal grant funds for activities benefiting low and moderate income persons, despite the compliance supplement specifying that at least 70% should be spent on benefiting low and moderate income families and individuals.

Context – This is a condition identified per review of DHCD's compliance with specific requirements. Questioned costs represent the amount in excess of the 20% allowed to be spent on public administration.

Per the Integrated Disbursements and Information Systems (IDIS) data, the total amount subject to the administration cap was \$36,153,985. The total amount spent by DHCD on public administration during the fiscal year was \$8,316,042.

Effect – DHCD is not in compliance with the requirements of the Community Development Block Grant related to earmarking requirements. This results in a violation of the grant conditions.

Government of the District of Columbia

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

Cause – DHCD did not follow the required earmarking requirements for planning and administrative activities as specified above. Further, DHCD did not implement any of the systems and controls necessary to ensure that compliance was being tracked and monitored.

Recommendation – We recommend that DHCD management implement systems and processes to ensure adherence to the various requirements of the program. In addition, supporting data should be properly documented, maintained, and available for review.

Views of Responsible Officials and Planned Corrective Actions – We have determined that \$1,763,754 in personnel service costs were erroneously drawn down as administrative expenditures. DHCD will process revised drawdowns to correct the issue in fiscal year 2007. This action will place DHCD below the 20% threshold.

Government of the District of Columbia

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

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-88	U.S. Department of Housing and Urban Development HOME Investment Partnerships Program CFDA Number 14.239	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – The OMB A-133 Grant Compliance Supplement for Earmarking Requirements Attachment (G) 3 for the Home Investment Partnership states that:

- a. Each participating jurisdiction must invest HOME funds made available during a fiscal year so that, with respect to tenant-based rental assistance and rental units not less than 90 percent of (1) the families receiving assistance are families whose annual income do not exceed 60 percent of the median family income for the area, as determined and made available by HUD, with adjustments for smaller and larger families at the time of occupancy or at the time funds are invested, whichever is later, or (2) the dwelling units assisted with such funds are occupied by families having such incomes (24 CFR section 92.216).
- b. Each participating jurisdiction must invest HOME funds made available during a fiscal year so that with respect to homeownership assistance, 100 percent of these funds are invested in dwelling units that are occupied by households that qualify as low-income families at the time of occupancy or at the time funds are invested, whichever is later (24 CFR section 92.217).
- c. Each participating jurisdiction must invest at least 15 percent of each year's HOME allocation in projects which are owned, developed, or sponsored by special non-profit organizations called CHDOs. If, during the first 24 months of its participation in the HOME Program, a participating jurisdiction cannot identify a sufficient number of capable CHDOs, then up to 20 percent of the minimum set-aside (but not more than \$150,000 during the 24-month period) may be made available to develop the capacity of CHDOs in the jurisdiction (24 CFR section 92.300).
- d. A participating jurisdiction may expend for its HOME administrative and planning costs an amount of HOME funds that is not more than ten percent of the fiscal year HOME basic formula allocation plus any funds received in accordance with 24 CFR section 92.102(b) to meet or exceed threshold requirements that fiscal year. A participating jurisdiction may also use up to ten percent of any return of the HOME investment, as defined in 24 CFR section 92.503, calculated at the time of deposit in its HOME account, for administrative and planning costs (24 CFR section 92.207).

Government of the District of Columbia

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

Condition – DHCD did not maintain the necessary documentation to support compliance with the earmarking requirements specified in the OMB A-133 Compliance Supplement.

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

Effect – As DHCD did not maintain any documentation to support that they had adhered to any of the requirements specified above, DHCD appears to be in direct violation of the stated requirements.

Cause – DHCD did not implement any of the systems and controls necessary to ensure that compliance was being tracked and monitored.

Recommendation – DHCD management should deploy adequate resources that are given the responsibility of ensuring adherence to the stated requirements. In addition, supporting data should be properly documented, maintained, and available for review.

Views of Responsible Officials and Planned Corrective Actions – DHCD has maintained documentation to support the HOME earmarking requirements (not less than 90% of the dwelling units assisted are occupied by households that have 60% or less of AMI). All the designated units in the HOME funded projects reviewed are to be occupied by households making 60% or less of AMI. The rent regulatory agreements for each of the projects establish this fact.

To monitor CHDO activity, DHCD utilizes the HUD generated PR27 report. This report is monitored continually throughout the year to ensure that the agency is meeting its requirements. The current report indicates that DHCD has invested 20.20% of its HOME funds with approved CHDO's.

The administrative budget for HOME is implemented within the cap limitation during the budget development process. This ensures that DHCD cannot spend more than the authorized percentage allowed by the HOME regulations.

DHCD's Office of Program Monitoring will ensure compliance with HOME regulations through the implementation of appropriate systems and controls.

Tenant Eligibility: Prior to a tenant occupying a unit, tenant eligibility will be documented with source documents, such as wage statements, interest statements, and unemployment compensation statements. Each tenant's income will be examined annually on the day of the original income evaluation or at lease renewal. At the time of on-site inspections of the project, DHCD will verify that tenant income certification/recertification documentation is in the tenant files for the selected sample.

Government of the District of Columbia

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

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-89	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218	Program Income	Not Determinable

Criteria or Specific Requirement – Sound financial management practices require entities to record transactions and perform account reconciliations in a timely manner.

Condition – DHCD has contracted with a financial institution to perform the loan servicing function for the Home Purchase Assistance Program (HPAP). It has also entered into an agreement with a community based organization to perform the community outreach, loan application, and loan approval process. Both of these organizations provide DHCD with monthly reports detailing activity. DHCD personnel do not use these reports to record information in the general ledger timely. The loans receivable balances are adjusted only at year end.

Cash activity related to loans (i.e. collections and loan issuances) are recorded during the year. However, because the loan balances are adjusted only at year end, there is no corresponding balancing entry to loans. Therefore, it is possible for the loan or cash transaction to be recorded to another program, and it was noted that this has occurred. The reconciliation procedures in place are not effective to prevent an out-of-balance condition.

Because DHCD records cash activity throughout the year and loan activity only at year end, the offsets to these entries are revenue and expense accounts. If all transactions are properly offset and reconciled, there would be no net effect at year end. However, this has not been the case for the past several years. As a result, the general ledger cannot be used to produce financial statements without significant adjustments that are identified through the financial statement audit process.

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

Effect – It is possible for transactions to be recorded to the incorrect program. In addition, the general ledger cannot be used to produce financial statements without significant adjustments that are identified through the financial statement audit process.

Cause – DHCD has not set up a system and corresponding controls to record transactions on a timely basis.

Recommendation – DHCD should use reports received from the financial institution and the community-based organization to record information in the general ledger on a timely basis, such as on a monthly or a quarterly frequency.

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 – Beginning October 1, 2006, DHCD has a new vendor working on the loan servicing contract. DHCD hopes to obtain accurate and timely data and reports in order to record information timely to the general ledger.

Government of the District of Columbia

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

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-90	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number 14.218	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 indicates that a grantee must:

- (1) monitor the subrecipient's use of federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved;
- 2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and
- (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Condition – Pursuant to the Redevelopment Land Agency – RLA Revitalization Corporation Transfer Act of 2001 (the Act), all of the RLA assets were transferred to the RLA Revitalization Corporation (RLA) in 2001. RLA is a subsidiary of the National Capital Revitalization Corporation.

Pursuant to the Act and as a condition precedent to disbursement of the Community Development Block Grant (CDBG) funds, including program income, DHCD and RLA entered into a sub recipient agreement. Based on the agreement, RLA is an eligible subrecipient of CDBG program assets and income. RLA performs the property management functions regarding the RLA assets and collects cash receipts. In addition, RLA performs the property disposition functions regarding the RLA assets and collects sales proceeds. The proceeds received from the management or disposition of the RLA assets are program income to be used in accordance with CDBG regulations. RLA previously received program income of over \$5 million which is available for use based on eligible CDBG activities.

The agreement between DHCD and RLA requires RLA to have an annual audit. There was no evidence available that DHCD had ensured that RLA had performed such an audit for fiscal year 2006.

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

Government of the District of Columbia

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

Effect – Lack of monitoring during the fiscal year could result in subrecipients not using federal funds for the purposes that DHCD or the federal agency intends. This could lead to improper usage and/or waste of the funds and increases the fraud risks.

Cause – DHCD did not adhere to policies and procedures to comply with the requirements of OMB Circular A-133 for subrecipient monitoring.

Recommendation – DHCD should consider establishing various monitoring procedures, including the performance of site visits, to ensure that RLA is administering Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. The site visits should be documented with the following information maintained in the subrecipient monitoring files:

- Date and scope of review
- Person(s) performing the review
- Procedures performed
- Findings
- Corrective action plan
- Follow-up on corrective action plan

In addition DHCD should ensure that the appropriate language is added to agreements with subrecipients who receive federal awards and establish safeguards to ensure that all subrecipients have carried out an OMB Circular A-133 audit, as appropriate.

Views of Responsible Officials and Planned Corrective Actions – The subrecipient agreement between DHCD and RLA did not require RLA to have an annual OMB Circular A-133 audit. However, the subrecipient agreement between the 2 parties requires RLA to have an annual independent financial audit of all funding sources for each fiscal year. DHCD did not receive the Annual Audit for fiscal year 2006.

RLA was in transition during fiscal year 2006 (period under review). RLA operations are being transferred to the Office of the Deputy Mayor of Planning & Economic Development. This transfer will be effective October 1, 2007. DHCD will ensure that the audit will be submitted once the transition is complete.

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

District Agency – Department of Housing and Community Development (DHCD)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-91	U.S. Department of Housing and Urban Development HOME Investment Partnerships Program CFDA Number 14.239	Special Tests and Provisions: Housing Quality Standards	Not Determinable

Criteria or Specific Requirement – During the period of affordability (i.e., the period for which the non-Federal entity must maintain subsidized housing) for HOME Investment Partnership grant assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than:

- (a) every three years for projects containing 1 to 4 units,
- (b) every two years for projects containing 5 to 25 units, and
- (c) every year for projects containing 26 or more units.

The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards (24 CFR sections 92.251, 92.252, and 92.504(b)).

Condition – DHCD did not perform the required annual on-site inspections on homes and buildings funded with the HOME Investment Partnership projects with respect to those consisting of more than 25 units.

Context – This is a condition identified per review of DHCD's compliance with specific requirements. DHCD had 9 projects during the fiscal year and all were selected as part of our sample; of these, 6 projects had more than 25 units.

Effect – Federal funding is provided to ensure that low and very low income individuals and families get proper quality housing. By abdicating the inspection requirements, DHCD has violated this requirement which may impact the living conditions of individuals in the low and very low income categories.

Cause – DHCD did not have a system in place to ensure adherence to the required inspections as specified in OMB Circular A-133 so as to ensure that the proper Housing Quality Standards were being met.

Recommendation – DHCD should perform annual on-site inspections for HOME Investment Partnership grant projects with more than 25 units, without any exception, in order to comply with laws, regulations, and the provisions of contracts or grant agreements. The on-site inspections performed should be documented with the information maintained in the project files.

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 – Three of the projects reviewed (Victory Housing, Jubilee Housing, and Wesley House), are still completing their initial construction or major rehabilitation and have not received final construction permit approvals or certificates of occupancy. The construction of the units in these three projects has been regularly monitored for progress toward completion by DHCD inspection of construction payment requests that are submitted for satisfactory completion of the construction being invoiced. The final payment requests in these projects will be authorized after DHCD receives copies of the certificates of occupancy and makes final inspections of the completed construction.

The fourth project, Elsinore Courtyards (14 buildings with 151 total units, 32 floating HOME units) has not completed its 4% Section 42 Low Income Housing Tax Credit (LIHTC). Upon construction completion, the 32 floating HOME-assisted units will be dispersed throughout the project's 14 buildings. As of fiscal year 2006, households eligible for the HOME program were located in nine of the project's 14 buildings. Quarterly HOME beneficiary data was monitored for 9 of the project's buildings containing the 32 floating HOME units.

DHCD awaits submission of the final construction cost certification by the developer. In the meantime, certificates of occupancy have been issued. The HOME-assisted units are occupied by income eligible households. DHCD currently monitors the project via quarterly HOME beneficiary data reports to verify that the households housed in the designated units are income eligible (making 60% or less of AMI).

On-Site Inspections:

In order to verify compliance with property standards and the information submitted by owners on tenants' incomes, rents, and other HOME rental requirements during a project's period of affordability, DHCD will conduct on-site inspections of HOME properties according to the total number of units. Not all units will be inspected in large projects, only a "sufficient" sample. Staff will inspect at least 15 percent to 20 percent of the HOME-assisted units in a project, and a minimum of one unit in every building.

DHCD's HOME project inspection records will demonstrate that DHCD checked for and enforced compliance with property standards, rent and occupancy requirements, lease requirements, and requirements included in the HOME written agreements.

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

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-92	U.S. Department of Homeland Security Homeland Security Cluster CFDA Number 97.004 and 97.067	Allowable Costs: Nonpayroll Activities	\$27,402

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. A-87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented."

Condition – The District failed to provide adequate supporting documentation to certify that only allowable costs were charged to the grant. Out of a sample of 45 transactions, adequate documentation was not provided for 4 items which includes invoices and intra-district transactions.

Context – This is a condition identified per review of OCA's compliance with specific requirements. Questioned costs amounted to \$27,402 for non-personnel transactions which were not adequately supported.

Effect – The District is not in compliance with stated requirements and program directives governing the grant.

Cause – Management does not have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles.

Recommendation – We recommend that the District implement policies and procedures to ensure that supporting documentation can be furnished when requested.

Views of Responsible Officials and Planned Corrective Actions – The Homeland Security Grants and Program Management Division performs a thorough review all sub-recipient reimbursement requests to ensure that costs are not only allowable, but are spent according to the project plan and budget. Our grants management team meticulously identifies and resolves any discrepancies before approving, certifying, and forwarding all reimbursement requests to the Director for final certification. Furthermore, it is a standard procedure for our program managers to perform site visits which involve reviewing items purchased with homeland security grant funds and taking pictures for evidence. In each instance, where the auditor pointed out that there wasn't adequate documentation to support a cost, we can assure you that our sub-recipients have this documentation on file.

Government of the District of Columbia

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

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-93	U.S. Department of Homeland Security Homeland Security Cluster CFDA Number 97.004 and 97.067	Allowable Costs :Time and Effort Activities	\$101,094

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.

In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards; be allocable to federal awards under the provisions of the Circular; and be adequately documented to be allowable under federal awards.

Condition – OCA was unable to provide adequate supporting documentation for payroll costs charged to the grant in accordance with OMB Circular A-87 cost principles. More specifically, OCA had not completed the signed semi-annual certifications for employees who worked 100% on the grant.

We noted that OCA had charged 100% of personnel costs to the Homeland Security grant although the same personnel worked on the Urban Areas Security Initiative grant which did not include any personnel costs.

Context – This is a condition identified per review of OCA's compliance with specific requirements. We reviewed 32 payroll transactions totaling \$101,094. The questioned costs are the sum of all the payroll transactions reviewed and charged to the federal grant.

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

Cause – OCA provided no reason for not completing the semi-annual certifications and for charging this grant for 100% of personnel time of the assigned staff.

Recommendation – We recommend OCA (a) establish policies and procedures over the completion of the semi-annual certifications and personnel activity reports for employees whose time is charged to the grant; (b) communicate with personnel from the Government Services Cluster to ensure that funds are appropriately charged to the grant.

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 – The Homeland Security Grants and Program Management Division does not agree with the condition as it is written. While we do agree that we charged 100% of our employees' time to the Homeland Security grant, we do not agree with the notion that personnel charges were not charged to the Urban Area Security Initiative. The Department of Homeland Security (DHS) bundled several grant programs into the fiscal year (FY) 2005 Homeland Security Grant Program (HSGP). These grant programs are the Urban Area Security Initiative (UASI), State Homeland Security Program (SHSP), Law Enforcement Terrorism Prevention Program (LETPP), Citizen Corp Program (CCP), and Emergency Management Performance Grant (EMPG). Therefore, our office received one grant award to cover the costs of these individual programs and as such, established budget authority under one grant and phase: HSGP01/05. Following this pattern, our office charged 100% of our personnel cost to this grant because it is inclusive of the FY 2005 UASI. In fact, we track and report to DHS management and administrative costs applied to our SHSP and UASI grants, both of which fall under the Homeland Security grant.

Government of the District of Columbia

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

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-94	U.S. Department of Homeland Security	Allowable Costs:	\$72,046
	Urban Areas Security Initiative	Nonpayroll Activities	
	CFDA Number 97.008		

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. A-87 Section C (1) (j), we noted that “to be allowable under Federal awards, costs must be adequately documented.”

Condition – The District failed to provide adequate supporting documentation to certify that only allowable costs were charged to the grant. Out of a sample of 77 transactions, adequate documentation was not provided for 2 items. The expenditures also included indirect costs which were unsupported.

Context – This is a condition identified per review of OCA's compliance with specific requirements. Questioned costs amounted to \$72,046 for non-personnel transactions which were not adequately supported.

Effect – The District is not in compliance with stated requirements and program directives governing the grant.

Cause – Management does not have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles.

Recommendation – We recommend that the District implement policies and procedures to ensure that supporting documentation can be furnished when requested.

Views of Responsible Officials and Planned Corrective Actions – The Homeland Security Grants and Program Management Division performs a thorough review all sub-recipient reimbursement requests to ensure that costs are not only allowable, but are spent according to the project plan and budget. Our grants management team meticulously identifies and resolves any discrepancies before approving, certifying, and forwarding all reimbursement requests to the Director for final certification. Furthermore, it is a standard procedure for our program managers to perform site visits which involve reviewing items purchased with homeland security grant funds and taking pictures for evidence. In each instance, where the auditor pointed out that there wasn't adequate documentation to support a cost, we can assure you that our sub-recipients have this documentation on file.

Government of the District of Columbia

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

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-95	U.S. Department of Homeland Security Homeland Security Cluster CFDA Number 97.004 and 97.067	Cash Management	Not Determinable

Criteria or Specific Requirement – District agencies with expenditures over \$5,500,000 are required to prepare and submit on a monthly basis a Cash Management Improvement Act (CMIA) report that summarizes the results of their request of funds from the Federal government and the amount of interest owed to/from the Federal government.

The clearance pattern required for this program is 5 days.

Condition – Although, during the year OCA prepared the CMIA Report, we noted that the clearance pattern used for draw downs was not in accordance with the CMIA Agreement.

Context – This is a condition identified per review of OCA's compliance with specific requirements. We reviewed 4 transactions reflected in the CMIA report prepared during the selected year.

Effect – The District may be using its local funds to cover costs, thereby affecting cashflow needed for other programs.

Cause – OCA provided no reason for the deficiency in the CMIA report.

Recommendation – We recommend OCA perform the following corrective actions:

- Perform draw downs on a more regular basis.
- Assign an independent employee to perform spot checks during the year to ensure that the Agency is complying with the 5 days clearance pattern.

Views of Responsible Officials and Planned Corrective Actions – OFRM performs draw down of federal funds on a bi-weekly basis. This has been our policy and practice for some time; however the CMIA report states that there is a 5 day pattern. This is a technical error in reporting and in the future the CMIA report will be adjusted to reflect our current drawdown pattern.

Government of the District of Columbia

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

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-96	U.S. Department of Homeland Security Urban Areas Security Initiative CFDA Number 97.008	Cash Management	Not Determinable

Criteria or Specific Requirement – District agencies with expenditures over \$5,500,000 are required to prepare and submit on a monthly basis a Cash Management Improvement Act (CMIA) report that summarizes the results of their request of funds from the Federal government and the amount of interest owed to/from the Federal government.

The clearance pattern required for the program is 5 days.

Condition – Although, during the year OCA prepared the CMIA Report, we noted that the clearance pattern used for draw downs was not in accordance with the CMIA Agreement.

Context – This is a condition identified per review of OCA's compliance with specific requirements. We reviewed 4 transactions reflected in the CMIA report prepared during the selected year.

Effect – The District may be using its local funds to cover costs, thereby affecting cashflow needed for other programs.

Cause – OCA provided no reason for the deficiency in the CMIA report.

Recommendation – We recommend OCA perform the following corrective actions:

- a. Perform draw downs on a more regular basis.
- b. Assign an independent employee to perform spot checks during the year to ensure that the Agency is complying with the 5 days clearance pattern.

Views of Responsible Officials and Planned Corrective Actions – OFRM performs draw down of federal funds on a bi-weekly basis. This has been our policy and practice for some time; however the CMIA report states that there is a 5 day pattern. This is a technical error in reporting and in the future the CMIA report will be adjusted to reflect our current drawdown pattern.

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

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-97	U.S. Department of Homeland Security Homeland Security Cluster CFDA Number 97.004 and 97.067	Procurement, Suspension, and Debarment	\$496,306

Criteria or Specific Requirement – Office of Management and Budget Circular A-133 and A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that the procurements are properly documented in the entity's files; provide full and open competition supported by a cost or price analysis; provide for vendor debarment or suspension certifications; provide for retention of files; and that supporting documentation collaborate compliance with these requirements.

Condition – OCA's procurement personnel were unable to provide 1 procurement file out of a sample which had been requested for testing.

Context – This is a condition identified per review of OCA's compliance with specific requirements. We reviewed all procurements over \$25,000.

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

Cause – OCA and the Office of Contracting and Procurement (OCP) did not provide a reason for being unable to locate the file.

Recommendation – We recommend that OCA and OCP review its current contracting procedures with a focus on ensuring compliance with policies on tracking the location of procurement files.

Views of Responsible Officials and Planned Corrective Actions – The District's Office of Contracting and Procurement agrees that we were unable to provide one file; however, we were able to provide all other files the auditor requested. In the past, homeland security procurement files were housed in two locations and we acknowledge that this is not the most efficient way to maintain files. Under new management, our office has improved our filing system and now maintains all homeland security procurement files in one location. Our office will continue to maintain all of our files in one location and will act on the recommendations presented by the auditors.

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

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
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2006-98

This finding # was not used.

Government of the District of Columbia

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

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
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2006-99

This finding # was not used.

Government of the District of Columbia

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

District Agency – Office of City Administrator (OCA)

No.	Program	Findings/Noncompliance	Questioned Costs
2006-100	U.S. Department of Homeland Security Homeland Security Cluster CFDA Number 97.004 and 97.067	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 requires that all grantees must (1) monitor a subrecipient's use of federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and requiring the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations. Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – OCA did not perform the required monitoring of subrecipients activities. During the testing, we noted that:

- OCA does not take prompt corrective action on any audit findings contained in the OMB Circular A-133 Single Audit Report and does not evaluate the impact of subrecipients' activities on the pass through entity.
- We also noted in 7 out of 11 instances that the monthly/quarterly reports were not submitted and in many instances we were unable to determine whether the subrecipients provided the reports by the due date.
- In addition, we noted in many instances that the OCA did not receive invoices and other relevant support for expenditures incurred; instead a screen print from the sub-grantees' financial system was deemed acceptable by the Agency and expenditures were then paid.
- Although the Program Director approved all the transactions prior to payment there was no evidence of the project managers who had direct oversight responsibility reviewing and approving the supporting documentation.

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

Effect – Failure to properly monitor subrecipients' activities could lead to subrecipients inappropriately using federal funds.

Cause – OCA did not have adequate policies and procedures in place to demonstrate that they had complied with the requirements of OMB Circular A-133 for subrecipient monitoring. Improper monitoring of subrecipients could lead to noncompliance with laws and regulations of the federal awards.

Recommendation – OCA should develop policies and procedures to ensure that they are appropriately monitoring subrecipient activities and results from A-133 audits. In performing the monitoring function, OCA should ensure that it documents the:

Government of the District of Columbia

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

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of A-133 report, review of financial requirement, etc.).
- A formalized corrective action plan for A-133 reports with findings.
- Consideration of site visits, when appropriate.
- Its system for monitoring and follow-up with subrecipients who are not 100% in compliance with requirements.

The policies and procedures should outline the appropriate timeframe for follow-up and the types of follow-up required in various situations.

All documentation should be maintained for all monitoring efforts in a subrecipient monitoring folder. OCA should also establish safeguards to ensure all the subrecipients have had the required A-133 audit, if appropriate, and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – The Homeland Security Grants and Program Management Division instituted a PMO structure approximately a year and a half ago to provide quality assurance for the program. Our PMO structure consists of six program managers who are responsible for monitoring an assigned set of projects. Our program managers provide oversight for each project to ensure timely submission of project plans, financial, and programmatic reports. They also work to ensure that project plans are completed accurately and that information presented in financial and programmatic reports are consistent with the project plans and ultimately, the goals of the project. The auditors need to note that the sample selected included many projects that were funded with older grants that were issued before the institution of our PMO structure. Therefore, we pointed out to the auditors that those older projects will not have project plans consistent with the new project plan template recently developed. We do believe that these are the instances of missing project plans that the auditors reference in the finding. However, it is important to note that we did require submission of programmatic status reports for all projects and in every instance, we can clearly articulate the outcome of all of these funds. Also, we can certify the allowability of costs with the documentation we maintain in house or with the documentation maintained at the sub-recipient level.

The auditor notes in the finding that there is no evidence that the program managers review and approve the reimbursement requests. Our office clearly articulated that this is not a requirement and further explained that according to our Standard Operating Procedure, the program manager completes a preliminary review of the reimbursement request, which is then given to the grants manager for further review. It is the grant manager's responsibility to perform the most detailed review, and this person initials the reimbursement request before it is forwarded to the Director for final certification. While we fully endorse this process, moving forward, we will also have the program manager initial the reimbursement request.

Government of the District of Columbia

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

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-101	U.S. Department of Homeland Security Urban Areas Security Initiative CFDA Number 97.008	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 requires that all grantees must (1) monitor a subrecipient's use of federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and requiring the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations. Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

The grant award letter requires that the subgrantee submit a project plan for approval prior to expenditures being incurred.

Condition – The District of Columbia, Office of the City Administrator (OCA) did not perform the required monitoring of subrecipients activities. During the testing, we noted that:

- OCA does not take prompt corrective action on any audit findings contained in the OMB Circular A-133 Single Audit Report and does not evaluate the impact of subrecipients' activities on the pass through entity.
- We also noted in 20 out of 43 instances that the monthly/quarterly reports were not submitted and in many instances, we were unable to determine whether the subrecipients provided the reports by the due date.
- We noted that 9 out of 43 instances tested in which project plans were not provided.
- In addition, we noted in many instances that the OCA did not receive invoices and other relevant support for expenditures incurred; instead a screen print from the sub-grantees' financial system was deemed acceptable by the Agency and expenditures were then paid.
- Although the Program Director approved all the transactions prior to payment there was no evidence that the project managers who had direct oversight responsibility, reviewed and approved the supporting documentation.
- We also noted 1 instance in which there was no evidence of monitoring of a transaction entered into by a sub-grantee.

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

Effect – Failure to properly monitor subrecipients' activities could lead to subrecipients inappropriately using federal funds.

Government of the District of Columbia

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

Cause – OCA did not have adequate policies and procedures in place to demonstrate that they had complied with the requirements of OMB Circular A-133 for subrecipient monitoring. Improper monitoring of subrecipients could lead to noncompliance with laws and regulations of the federal awards.

Recommendation – OCA should develop policies and procedures to ensure that they are appropriately monitoring subrecipient activities and results from A-133 audits. In performing the monitoring function, OCA should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of A-133 report, review of financial requirement, etc.).
- A formalized corrective action plan for A-133 reports with findings.
- Consideration of site visits, when appropriate.
- Its system for monitoring and follow-up with subrecipients who are not 100% in compliance with requirements.

The policies and procedures should outline the appropriate timeframe for follow-up and the types of follow-up required in various situations. All documentation should be maintained for all monitoring efforts in a subrecipient monitoring folder. OCA should also establish safeguards to ensure all the subrecipients have had the required A-133 audit, if appropriate, and ensure that all the subrecipient folders are properly maintained.

Views of Responsible Officials and Planned Corrective Actions – The Homeland Security Grants and Program Management Division instituted a PMO structure approximately a year and a half ago to provide quality assurance for the program. Our PMO structure consists of six program managers who are responsible for monitoring an assigned set of projects. Our program managers provide oversight for each project to ensure timely submission of project plans, financial, and programmatic reports. They also work to ensure that project plans are completed accurately and that information presented in financial and programmatic reports are consistent with the project plans and ultimately, the goals of the project. The auditors need to note that the sample selected included many projects that were funded with older grants that were issued before the institution of our PMO structure. We pointed out to the auditors that those older projects will not have project plans consistent with the new project plan template recently developed. We do believe that these are the instances of missing project plans that the auditors reference in the finding. However, it is important to note that we did require submission of programmatic status reports for all projects and in every instance, we can clearly articulate the outcome of all of these funds. Also, we can certify the allowability of costs with the documentation we maintain in house or with the documentation maintained at the sub-recipient level.

The auditor notes in the finding that there is no evidence that the program managers review and approve the reimbursement requests. Our office clearly articulated that this is not a requirement and further explained that according to our Standard Operating Procedure, the program manager completes a preliminary review of the reimbursement request, which is then given to the grants manager for further review. It is the grant manager's responsibility to perform the most detailed review, and this person initials the reimbursement request before it is forwarded to the Director for final certification. While we fully endorse this process, moving forward, we will also have the program manager initial the reimbursement request.

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

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-102	U.S. Department of Homeland Security Homeland Security Cluster CFDA Number 97.004 and 97.067	Special Tests and Provisions: Subgrant Awards	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement specifies that subrecipients are able to draw down funds immediately following the State obligation of funds. Further, the Standard Operating Procedure indicated that “if the subgrantee is already in the procurement system, it will take a maximum of 2 weeks to cut a check, otherwise it may take 30 days.”

Condition – OCA’s personnel did not make payments to subrecipients immediately following the State obligation of funds.

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

Effect – Inability to make payments on time may impact the services provided by subrecipients.

Cause – There may have been insufficient monitoring controls in place over disbursements and non adherence to the Standard Operating Procedures related to the grant.

Recommendation – We recommend that OCA reevaluate its monitoring policies and procedures with regard to the timely disbursement funds to the subrecipients.

Views of Responsible Officials and Planned Corrective Actions – The Homeland Security Grants and Program Management Division does not agree with the condition as it is written. Our office noticed that the auditor used the reimbursement request date for the special test; however it is not appropriate to conduct the special test using the date the subgrantee signs the reimbursement request. The most appropriate date to use for the special test is the date our office approves and submits the request to OFRM. OFRM is then required to complete a payment within 30 calendar days, excluding legal holidays, after receipt of a proper invoice under the Quick Payment Act. According to our SOPs, once we receive a request for reimbursement, our program and grant managers are required to review all of the supporting documentation before forwarding the request to OFRM. This generally takes 2-3 business days, but it can take longer in the event that the subgrantee does not include adequate documentation. Once our office completes the review and certification/approval, we forward the request for payment to OFRM. Following this process, the auditor will discover that OFRM did release the payment noted in this finding within 30 calendar days.

Government of the District of Columbia

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

District Agency – Office of City Administrator (OCA)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-103	U.S. Department of Homeland Security Urban Areas Security Initiative CFDA Number 97.008	Special Tests and Provisions: Subgrant Awards	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement specifies that subrecipients are able to draw down funds immediately following the State obligation of funds. Further, the Standard Operating Procedure indicated that "if the subgrantee is already in the procurement system, it will take a maximum of 2 weeks to cut a check, otherwise it may take 30 days."

Condition – OCA's personnel did not make payments to subrecipients immediately following the State obligation of funds.

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

Effect – Inability to make payments on time may impact the services provided by subrecipients.

Cause – There may have been insufficient monitoring controls in place over disbursements and non adherence to the Standard Operating Procedures related to the grant.

Recommendation – We recommend that OCA reevaluate its monitoring policies and procedures with regard to the timely disbursement funds to the subrecipients.

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Government of the District of Columbia

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

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
2006-104			

This finding # was not used.
