Government of the District of Columbia

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

Year Ended September 30, 2008

BDO Seidman, LLP
Accountants and Consultants

Government of the District of Columbia

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

Year Ended September 30, 2008

Government of the District of Columbia

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BDO Seidman, LLP
Accountants and Consultants

1250 Connecticut Avenue, NW, Suite 200
Washington, D.C. 20036
Telephone: (202) 261-3565
Fax: (202) 261-3563

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District), as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. Significant deficiencies in internal control over financial reporting are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2008-01 through 2008-06.

I. Treasury Functions.
II. Management of the Medicaid Program.
III. Compensation.
IV. Office of Tax and Revenue.
V. District of Columbia Public Schools.
VI. Management of the Postretirement Health and Life Insurance Trust.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01 and 2008-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2008-07 through 2008-10.

I. Noncompliance with Procurement Regulations.
II. Noncompliance with the Quick Payment Act.
III. Noncompliance with the Financial Institutions Deposit and Investment Amendment Act.
IV. Expenditures in Excess of Budgetary Authority.

We also noted additional matters which we have reported to management of the District in a separate letter dated January 30, 2009. The status of prior year instances of significant deficiencies, material weaknesses, and material noncompliance is presented below:

Nature of Comment	Type of Comment in Fiscal Year 2007	Current Year Status
Office of Tax and Revenue	Material Weakness	Significant Deficiency
Management of the Medicaid Program	Material Weakness	Material Weakness
District of Columbia Public Schools	Material Weakness	Significant Deficiency
Investment Reconciliations and Activities	Significant Deficiency	Material Weakness; included as part Treasury Functions.
National Capital Revitalization Corporation (NCRC) and the Anacostia Waterfront Corporation (AWC)	Significant Deficiency	NCRC and AWC have been dissolved as of October 1, 2007. All activities have been transferred to the District.
Management of Grants	Significant Deficiency	Control Deficiency

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

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

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

BDO Seidman, LLP

Washington, D.C.
January 30, 2009

BDO Seidman, LLP
Accountants and Consultants

1250 Connecticut Avenue, NW, Suite 200
Washington, D.C. 20036
Telephone: (202) 261-3565
Fax: (202) 261-3563

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

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

Compliance

We have audited the compliance of the Government of the District of Columbia (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

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

Finding No.	CFDA No.	Compliance Requirement
2008-11	93.775, 93.777, 93.778	Allowable Costs
2008-12	93.775, 93.777, 93.778	Allowable Costs
2008-13	14.241	Cash Management

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

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

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

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to in the first paragraph of this report that are applicable to each of its major federal programs for the year ended September 30, 2008, other than those discussed in the following paragraph.

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

Finding No.	CFDA No.	Compliance Requirement
2008-22	93.917	Eligibility
2008-85	93.558	Special Tests and Provisions: Income Eligibility and Verification System

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-11 through 2008-147 to be significant deficiencies.

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

Finding No.	CFDA No.	Compliance Requirement
2008-13	14.241	Cash Management
2008-14	93.767	Cash Management
2008-15	93.775, 93.777, 93.778	Cash Management
2008-16	93.914	Cash Management
2008-17	93.917	Cash Management
2008-18	93.940	Cash Management
2008-19	93.959	Cash Management
2008-20	93.767	Eligibility
2008-21	93.775, 93.777, 93.778	Eligibility
2008-23	93.775, 93.777, 93.778	Procurement, Suspension, and Debarment
2008-24	93.914	Procurement, Suspension, and Debarment
2008-25	93.917	Procurement, Suspension, and Debarment
2008-26	93.940	Procurement, Suspension, and Debarment

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

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

Schedules of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** (the District), as of and for the year ended September 30, 2008, and have issued our report thereon dated January 30, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

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

The District's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them. Additionally, certain responses were not provided before the auditors' report was issued.

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

BDO Seidman, LLP

Washington, D.C.
December 14, 2009

Schedules of Expenditures of Federal Awards

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,		2008
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Department of Housing and Community Development		
Community Development Block Grants/Entitlement Grants	14.218	48,767,212
Emergency Shelter Grants Program	14.231	432,562
Shelter Plus Care	14.238	2,795,766
HOME Investment Partnerships Program	14.239	15,098,172
Lead-Based Paint Hazard Control	14.900	1,149,054
Lead-Based Paint Hazard Reduction Demonstration	14.905	1,481,561
Total Department of Housing and Community Development		69,724,327
D.C. Public Schools		
Title I Grants to Local Educational Agencies	84.010	30,502,786
Special Education-Grants to States	84.027	10,580,532
Impact Aid	84.041	1,939,706
Career and Technical Education-Basic Grants to States	84.048	4,113,767
Twenty-First Century Community Learning Centers	84.287	83,044
Comprehensive School Reform Demonstration	84.332	115
Arts in Education	84.351	102,957
Title I Reading First State Grants	84.357	109,924
Title III Language Acquisition State Grant	84.365	1,413
Math Science Partnership	84.366	79,000
Improving Teacher Quality State Grants	84.367	8,787,514 *
Head Start - Direct Funding	93.600	6,460,632
Head Start - Pass-through Funding from United Planning Organization	93.600	3,150,076
Improvements of the Health and Well-Being of Youth	93.938	83,775
Total D.C. Public Schools (DCPS)		65,995,241
Homeland Security and Emergency Management Agency		
Public Safety Interoperable Communications Grant Program	11.555	828,152
State and Local Assistance	83.534	32,932
Hazard Mitigation Grant	83.543	(149)
Urban Areas Security Initiative	97.008	170,000
Emergency Management Performance Grants	97.042	1,355,723
Homeland Security Grant Program	97.067	31,289,282

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2008

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

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,		2008
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Office of the City Administrator		
State and Local Domestic Preparedness Equipment Support Program	16.007	(895)
Crime Victim Assistance	16.575	34,891
Total Office of the City Administrator		33,996
Criminal Justice Coordinating Council		
Paul Coverdell Forensic Science	16.550	25,356
Office of the Mayor		
Learn and Serve Community Based Program	94.004	(1,622)
Planning and Program Development Grants	94.007	(9,189)
Total Office of the Mayor		(10,811)
Department of Parks and Recreation		
Urban Park and Recreation Recovery Program	15.919	(21,519)
Total Expenditures of Federal Awards		$ 2,088,633,597

Government of the District of Columbia

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

1. Summary of Significant Accounting Policies

Reporting Entity

The Schedules of Expenditures of Federal Awards (the Schedules) include the activity of all federal award programs administered by the Government of the District of Columbia (District), except for the District of Columbia Housing Finance Agency (HFA) and the District of Columbia Water & Sewer Authority (WASA), for the fiscal year ended September 30, 2008. HFA and WASA contract for separate audits in compliance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The federal awards for these two entities are excluded from the Schedules.

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

Basis of Presentation

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

Basis of Accounting

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

Matching Costs

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

2. Relationship to Federal Financial Reports

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

3. **Federally Funded Loan Programs**

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

Family Federal Education Loan Program (CFDA # 84.032)
The District, through the University of the District of Columbia (UDC), participates in the Federal Family Education Loans Program (FFELP), which includes the Federal Stafford Loan Program and the Federal Parents' Loans for Undergraduate Students Program. New loans, disbursed by lending institutions, were made to students enrolled at the University of the District of Columbia for $6,359,671 during the year ended September 30, 2008; this amount is not included in the Schedules.

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

During fiscal year 2008, the District received cash rebates from infant formula manufacturers in the amount of approximately $5.3 million on sales of formula to participants in the WIC program (CFDA #10.557), which are netted against total expenditures included in the Schedules. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

5. **Unemployment Insurance**

State unemployment tax revenues and the governmental, tribal, and non-profit reimbursements in lieu of State taxes (State UI funds) must be deposited to the Unemployment Trust Fund in the U.S. Treasury, primarily to be used to pay benefits under the federally approved State unemployment law. Consequently, State UI funds as well as Federal funds are included in the total expenditures of CFDA # 17.225 in the accompanying Schedules.

The composition of CFDA # 17.225 is as follows:

State UI Benefits	$ 130,407,341
Federal UI Benefits	4,300,145
Federal Extended UI Benefits	15,529,250
Federal UI Administrative Expenditures	13,129,198
Total	$ 163,365,934

6. **Research and Development Programs** The District receives and expends federal funding for various research and development programs. The aggregate amount of such expenditures for the year ended September 30, 2008, did not equal an amount that would constitute a major program under the guidelines of OMB Circular A-133.

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

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

8. **Intra-District Funding and Expenditures**

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

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

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

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

Schedule of Findings and Questioned Costs

Government of the District of Columbia

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Material noncompliance:

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

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

Any audit findings disclosed that are required to to be reported in accordance with section .510(a) of Circular A-133? ___X___ yes _____ no

Identification of major programs:

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

Government of the District of Columbia

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

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

Dollar threshold used to distinguish between Type A and Type B programs: $ 6,265,901

Auditee qualified as low-risk auditee? _____ yes ___X___ no

Section II – Financial Statement Findings

2008-01 Treasury Functions

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

Cash and Investment Account Activity

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

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

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

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

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

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

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

Bank Reconciliation Process (BID 121)

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

1) A reconciling item entitled "Journal Entry Credit Posting Errors" in the amount of $31,877,497 was on the year-end bank reconciliation. The amount was adjusted during the audit process as follows:
   - 2 journal vouchers represented entries intended to record an accrual for payroll expense related to Medicaid, and thus should have been recorded to a liability account and not to cash. The effect of these correcting entries was to decrease cash and increase liabilities by $27,529,776.
   - 3 journal vouchers represented incorrect postings of wire transfers relating to another BID account. The total amount incorrectly recorded was $3,912,417.

2) The SOAR report provided with the reconciliation reflected a balance which was incorrect by $141,835.

3) Stopped checks in the amount of $3,008,345 had been carried forward on the reconciliation from the prior year. While stop payments had been issued by the District on these amounts, we noted that $257,827 of current year checks were honored by the bank despite their cancellation. Our understanding from the prior year was that management had implemented an electronic process to minimize the occurrence of such errors.

Management's Response:

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

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

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

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

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

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

Bank Reconciliation Process (BID 200)

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

1) The reconciliation included erroneous journal entries as of year-end. We reviewed a sample of the entries and noted issues as follows:
   - 1 journal voucher in the amount of $76,688,960 represented a prepaid asset.
   - Another journal voucher of approximately $43,000,000 was recorded to BID 200 incorrectly and was reclassified to the appropriate cash account during the audit process.
   - 2 journal vouchers of approximately $59,000,000 represented transactions that were incorrectly recorded amongst a variety of cash accounts, which were reclassified during the audit process.
   - 9 journal vouchers totaling $308,000,000 represented transactions that were inadvertently on the reconciliation twice.
   - 1 journal voucher totaling approximately $54,000,000 was a data entry error.

2) The reconciliation included significant unrecorded bank transactions. Of this amount, $5,233,141 were outgoing wire transfers that were improperly recorded as FY 2009 transactions. The remaining amounts were primarily transfers to other cash accounts that were not properly reconciled until January 2009, during the audit process.

Management's Response:

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

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

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

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

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

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

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

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

<u>Bank Reconciliation Process (BID 999)</u>

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

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

2) At year-end, approximately $4,800,000 of consumable inventory was included in BID 999 as a result of an incorrect journal entry. The result was that inventory was understated by this amount at year-end.

3) During the audit process, an $11,900,000 credit balance was identified as a result of an incorrect journal entry. The offsetting debit was located in BID 846.

4) No separate BID account had been established for certain Tobacco Settlement bank accounts. Over the years, bank activity relating to these accounts, such as deposits and disbursements, had been recorded to BID 999 and this activity accumulated to approximately $61,800,000. During the audit process, the District established separate BID accounts for these monies and properly reclassified the amounts out of BID 999 to the new BID accounts.

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

Management's Response:

The primary purpose of BID 999 is to:

1. Serve as a clearing account for SOAR transactions that require a balancing account when reclassifying transactions form one account to another; and

2. Serve as a Cash Account placeholder for transactions that affect cash, but do not have a BID assigned to them. When the BID is established, the transaction recorded to BID 999 is reversed and the balance is transferred to the new BID.

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

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

Bank Reconciliation Process (Sampling of BIDs)

Following are other issues noted in our test work:

Pooled Cash Accounts

1) Although we were advised that all pooled cash bank reconciliations are reviewed and approved by a responsible employee, no indication of such a review was evident on the September 30, 2008 reconciliation for BID 216. We also noted that on the original copy of the July 31, 2008 reconciliation for BID 242, the SOAR balance utilized in the reconciliation was that of another BID account. The reconciliation had been signed off as reviewed and approved.

2) We noted that the October 31, 2007 reconciliation for BID 130 was not prepared and reviewed until early January 2008. We also noted that while the October 31, 2007 bank reconciliation for BID 268 was prepared on a timely basis, the review was not performed within the timeframe set forth by the District's policy.

3) During our review of the outstanding checklist preparation for the September 30, 2008 reconciliation for BID 130, a disbursement account, it was noted that the cash reconciliation unit relies on external reports to determine the total checks paid during the month, as the internal report generated is insufficient.

4) During our review of the July 31, 2008 reconciliations for BID 213, 242, and 268, we noted significant unresolved activity which did not correspond to activity in the Bank. The total of these items amounted to $10,180,869, resulting in an understatement of the cash balance.

5) The District incorrectly recorded a cash receipt of $2,000,000 that arose as a result of a bank error in BID 247. As such, the SOAR balance for this account was overstated.

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

Agency Cash Accounts

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

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

7) No evidence of the agency's review of the first quarter reconciliations for BID 713 and fourth quarter reconciliations for BID 269.

8) The SOAR balance utilized in the bank reconciliation for BID 269 did not agree to the SOAR balance for the month of November 2007. The difference related to accrued interest.

9) During our review of the reconciliations for BID 713, we noted the reconciliations were not prepared within the District's policy of 30-45 days.

10) During our review of the reconciliations for BID 483, we noted that the District prepared the bank reconciliation on an annual basis and not on a monthly basis.

11) In lieu of a bank reconciliation, management provided copies of bank statements for 3 BID accounts selected for testing.

Management's Response:

Pooled Cash Accounts:

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

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

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

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

Agency Cash Accounts:

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

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

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

Schedule of Investment Portfolio

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

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

Management's Response:

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

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

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

Bank Reconciliation Process (BID 300)

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

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

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

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

1) 2 journal vouchers, for a net balance of $7,721,633, that could not be supported by activity in the bank. The net result was an overstatement of the account balance.

2) 1 journal voucher, for a net balance of $6,000,000, represented a bank transaction that had been recorded twice. The net result of this entry was an overstatement of the account balance.

3) 1 journal voucher in the amount of $14,000,000 was recorded to the incorrect general ledger account, and thus, was included as a reconciling item on the bank reconciliation. While cash and investments overall remained the same, this entry served to overstate investments and understate cash at year-end.

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

Management's Response:

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

> OFOS personnel reconcile approximately 178 investment accounts on a monthly basis. This equates to over 2,100 reconciliation months performed every fiscal year. Our reconciliation procedures include, thoroughly reviewing the activity of these accounts, as recorded in SOAR by agency staff, in comparison to activity reflected on the Investment Bank statements.
>
> As reconciling items are identified, they are presented to the agencies to make the correcting entries. To maintain the proper segregation of duties, OFOS reconciliation staff is not permitted to prepare journal entries for the reconciling items. These reconciling items remain on the reconciliation, from month to month, until the agency has recorded the proper corrections to the account.
>
> Due to the requirements of the Comprehensive Annual Financial Report (CAFR) audit, the preparation of the pooled cash account reconciliations for the months of October to January can be delayed. However, any delays in preparing reconciliations during this period are usually eliminated by the end of February.
>
> During the FY 2008 year-end closing process, as journal entries continued to be made in SOAR, we continued to update our reconciliations. As a result, the reconciliations provided to the auditors on several occasions, reflected the updated status of BID 300 as of that point in time.

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

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

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

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

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

<u>Investment Reconciliation Process (Sampling of BIDs)</u>

Following are other issues noted in our test work:

1) The October 31, 2007 reconciliations for BID account 814, 304, 371, 695, and 386 were not prepared and reviewed on a timely basis.

2) Significant reconciling items (i.e. unrecorded transactions) were carried forward from month-to- month in several investment accounts. Of the 25 investment account reconciliations reviewed, 17 had significant unrecorded bank transactions.

3) Significant reconciling items of erroneous journal entries were carried forward from month to month in several investment accounts. Of the 25 investment account reconciliations reviewed, 14 had significant unresolved erroneous journal entries.

4) For BID 246, we noted a sweep account of approximately $3,700,000 that had not been reflected on the District's books.

5) We noted an erroneous balance of approximately $12,000,000 that had been carried in Miscellaneous Agency Funds without any money in the bank(s). This resulted in an overstatement of the account balance as of September 30, 2008.

6) We noted approximately $700,000 that had been posted to BID 625 that should have been recorded as a transaction to BID 802.

7) During our review of BID 223, we noted unrecorded bank service charges of $679,418.

Management's Response:

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

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

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

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

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

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

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

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

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

Unclaimed Properties

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

1) In reviewing the detail of the schedule, we noted the balances did not accurately reflect investments on hand at year-end as various balances were based on bank statements from months throughout the fiscal year but had not been updated at year-end.

2) As a part of our confirmation procedures of unclaimed properties, we noted 1 instance where the District had improperly recorded the receipt of funds, due to a bank error, in the amount of $566,836. The bank corrected the error in the following month and escheated the funds; however, the District had not corrected its records. As such, the funds were improperly included on the unclaimed properties schedule at year-end.

3) We noted approximately $8,000,000 that was reflected in SOAR for which no support could be provided. During the audit process, it was determined that it was an overstatement of investments and current year investment income that has since been adjusted.

4) During management's research of the unclaimed properties issues noted above, $13,500,000 of overstated liabilities and understated investment income was identified.

Management's Response:

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

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

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

Accounting for Guaranteed Investment Contracts

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

1) Management is responsible for making value measurements and disclosures. From the information initially provided by the District, we were unable to readily determine whether the balance recorded represented the contract value or fair market value of the GICs.

2) The District was unable to provide the details of the underlying investments within the GICs.

3) Management did not appear to have sufficient information on hand to evaluate and independently challenge the valuation methodologies utilized by the investment manager(s).

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

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

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

Management's Response:

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

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

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

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

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

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

Wire Transfers

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

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

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

Management's Response:

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

Maintenance of the Accounts Database

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

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

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

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

Cash Bank Accounts

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

1) Incorrect account numbers.

2) Correct account number but incorrect bank.

3) Incomplete and inaccurate list of authorized account signers.

4) Incorrect Bank Account ID (BID) number assigned to the account.

5) No Bank Account ID (BID) number assigned to the account.

6) Accounts that had been closed for several years were reflected as active. Likewise, for 1 Bank ID which had been selected for testing, we noted that a bank account that was still open at the financial institution had been reflected as closed within the District's SOAR system.

7) Accounts that were not registered under the District's Tax ID number.

8) Employees no longer with OFT still had signatory authority to the respective bank accounts for 2 BIDs.

Investment Bank Accounts

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

9) The database does not clearly distinguish investment accounts (which represent investments within a custodial account) from bank accounts (which are depository, disbursement, and custodial accounts).

10) In numerous instances, investments had since been sold, resulting in needless maintenance and tracking of accounts with zero balances.

11) In other instances, new investments purchased had not been established as investment accounts and reflected in the database.

12) Employees no longer with OFT still had signatory authority to the respective bank accounts for 2 BIDs.

Management's Response:

Cash Bank Accounts:

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

To specifically address the issues listed above:

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

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

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

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

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

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

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

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

Investment Bank Accounts:

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

Elimination of Unnecessary Accounts

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

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

Management's Response:

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

> The District has a scheduled quarterly process that reviews the BID listing for closed accounts with balances in SOAR. Action has been taken to clear up balances on closed accounts. In FY 2009, the District will continue to use this process to clear up any such balances from the general ledger.
>
> Cash accounts in SOAR are flagged with either with an A (Active) status or an I (Inactive) status. The District has been successful in minimizing any keying errors by ensuring that these flags are properly set. The District will continue to be diligent in its use of this system control.

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

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

Communication of Account Information

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

1) The confirmed bank balances did not agree with the bank balances listed in the schedule of pooled cash, investments, and agency cash as provided by the Office of Financial Operations and Systems (OFOS). Upon further investigation, it was noted that in most instances, the correct bank balance had been utilized by OFOS in preparing the bank reconciliations, but had not been properly input into the schedule provided.

2) Several District accounts were identified for which neither OFOS nor OFT could account for. While deemed insignificant to the District, we also noted bank accounts for which the District was unable to identify whether they had been presented in the CAFR.

3) For a few accounts, OFT and OFOS could not agree on which bank accounts were associated with which SOAR accounts. After significant research, most instances were identified as inaccuracies in the bank account database; however, in one instance, it was noted that a non-District bank account had been utilized in the reconciliation process.

Management's Response:

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

> OFOS shall improve the communication of bank ending balances between OFOS and the agencies. OFOS will use a bank to book variance report to track the variances. A key element of the report is the fiscal month end balances as reported on bank statements. OFOS will be soliciting this information monthly from the agencies during FY 2009.
>
> In all cases, the errors were corrected by OFOS when pointed out during the audit process. OFOS is not aware of the accounts mentioned in issue #2. Issue #3 pertains to the Storm Water Permit Compliance Fund bank account accounted for in agency KG0, fund 654 and BID 269. There are two bank accounts accounted for in KGO 0071 (agency controlled cash). One account is administered by the District Department of Environment and the other is administered by the Water and Sewer Authority (WASA). Although the WASA administered account is in its name, the funds in both accounts belong, to the District and are properly accounted for in agency KG0, fund 0654 and BID 269.

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

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

<u>Activity Recorded to Closed Accounts</u>

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

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

Management's Response:

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

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

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

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

* * * * *

2008-02 Management of the Medicaid Program

Medicaid Program is Classified as an Area of Risk

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

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

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

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

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

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

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

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

Management's Response:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management's Response:

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

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

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

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

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

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

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

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

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

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

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

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

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

Delay in Issuance of Audited Cost Reports

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

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

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

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

Agency	Cost Report Audit Completed	Cost Report Available for Audit	Status of Cost Report Audit
1. DCPS	Up to FY 2006	None noted	No available cost report for audit.
2. CFSA	Up to FY 2005	FY 2006	Audit has not yet started.
3. DMH	Up to FY 2006	None noted	No available cost report for audit.

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

Management's Response:

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

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

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

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

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

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

Potential Claims Disallowance and Accounts Receivable Write-offs

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

We noted that CFSA and DCPS had been very aggressive in claiming Medicaid reimbursements from FY 2003 to 2006. Based on the audited cost reports, the potential disallowances were mainly due to claim expenditures that were not adequately supported and claim reimbursements that were not allowable.

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

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

Management's Response:

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

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

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

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

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

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

Maintenance of Supporting Documents at Income Maintenance Administration (IMA)

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

1) 3 participant files could not be located and thus were not provided for testing.

2) 6 participant files did not have signed application forms.

3) 4 participant files did not have a verification of the applicant's income.

4) 4 participant files did not have complete and signed citizenship declaration forms.

5) 2 participant files did not show that the social security number (SSN) was furnished or was verified.

6) 2 participant files were not closed in the system when the applicant failed to recertify.

7) 5 participant files did not have evidence of supervisor review and approval for eligibility determination decision.

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

Management's Response:

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

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

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

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

Medicaid Management Information System (MMIS)

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

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

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

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

Management's Response:

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

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

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

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

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

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

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

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

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

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

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2008-03 Compensation

During FY 2008, the District implemented a new PeopleSoft Payroll System. The PeopleSoft system replaced the previous Unified Personnel Payroll System (UPPS) used by the District. UPPS was less automated and required more manual interfaces and adjustments to record payroll expenditures in SOAR, the District's accounting system of record. The new PeopleSoft system is intended to be a more dynamic and integrated system requiring less manual adjustments.

Lack of Segregation of Duties within PeopleSoft

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OPRS users must have this ability along with IT support.

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

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

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

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

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

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

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

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

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

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

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

OPRS users must have this ability along with IT support.

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

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

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

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

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

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

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

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

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

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

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

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

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

OPRS users must have this ability along with IT support.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OPRS users must have this ability along with IT support.

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

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

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

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

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

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

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

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

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

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

Incomplete Utilization of PeopleSoft

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

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

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

Management's Response:

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

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

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

> The PeopleSoft Human Resource and Payroll System purchased by the District is a very comprehensive application with robust functionality. All of the features for this product were reviewed and a Functional Steering Committee discussed these features with agencies and assessed their desire to participate in the implementation of certain features that are new procedures for the District. The agencies selected to pilot the Labor Distribution functionality were those that had experience with the process and understood the benefits of these new features.
>
> The Labor Distribution process is a process that is included in the Time and Labor Module. Modifications were made to legacy payroll system which PeopleSoft replaced (UPPS) to temporarily allow the Time and Labor Module transactions to interface for six months prior to processing these transactions through PeopleSoft. During this period of time, the system was reviewed and the time keepers trained to correctly process a labor distribution payroll entry with the appropriate accounting entries.
>
> The implementation process was smooth but still provides challenges and enforced the implementation approach to select only a few agencies. It has now been a year since the system has been fully implemented and as such, enhancements and program corrections have been made to facilitate a smoother payroll process for the agencies and OPRS. The last District agency who has not implemented the PeopleSoft payroll system is the District of Columbia Public Schools (DCPS) with it many unique requirements. After PeopleSoft implementation at DCPS, the District's intent is to evaluate the PeopleSoft features that are available and not used by agencies.

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

Lack of Adequate Supporting Documentation

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

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

1) When personnel actions are initiated by an agency through submitting manual documentation, an HR Advisor/specialist enters the information into PeopleSoft based on the package received. However, it appears that there is no control in place for a review and approval of the information entered to ensure completeness and accuracy and to ensure the change has been properly authorized.

2) Personnel files (i.e. SF52s, offer letter, I-9, and Competitive and Non-Competitive forms) were not provided for 12 out of the 50 new hire samples as selected from the independent agencies.

3) For 3 out of 50 employees tested, verification of employee approval of benefits was not provided. Per discussion with the HR personnel, the forms could be missing because effective November 2007, employees were encouraged to enroll into selected benefits via Employee Self Service (ESS) in PeopleSoft. However, when the employee enrolls via ESS, the system does not uniquely indentify whether it was the employee or HR personnel who completed the form. Thus, the system does have a control in place to provide electronic confirmation or an audit trail to confirm who made the online enrollment.

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

4) Personnel files (i.e. employee resignation letter and/or an approved SF52 or related supporting documents) were not provided for 3 out of the 45 resigned/terminated samples. We also noted that in 1 instance, the termination was not performed timely.

5) The date of transfer as listed in the database provided to us to select our sample for testing did not match the effective date of the personnel action(s) in PeopleSoft. We noted that 2 personnel action forms in our sample appeared to have been deleted; however, there was no system audit trail or history of the deleted personnel actions.

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

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

Management's Response:

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

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

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

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

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

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

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

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

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

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

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

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

Issue #6: DCHR does not dispute this finding.

Overtime Payments

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

1) 1 difference noted at the Metropolitan Police Department.

2) 2 differences noted at the Department of Transportation.

3) 1 difference noted at the Department of Motor Vehicles.

4) 1 difference noted at the Child and Family Services Agency.

5) 2 differences noted at the Department of Mental Health.

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

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

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

Management's Response:

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

> DHCR does not review all approvals of timesheets and authorized overtime for each agency. Policies and procedures are in place regarding authorization needed for overtime. Each agency is responsible for ensuring that agency managers follow District policy that requires that all overtime work be authorized and that time and attendance records be properly supported and documented.
>
> However, DCHR will examine the controls in place governing the proper application of the overtime rules and, where necessary, issue clarifying amendments and policies on this issue.
>
> DCHR Classification and Compensation Administration will continue to provide technical assistance to subordinate agencies and will take any and all appropriate actions to mitigate risks identified by the auditor.
>
> The database information that was provided by the District revealed 155 employees where the District paid overtime to ineligible employees. DCHR acknowledges that the HRIS and Payroll system required more time in setting up the system to accommodate the newly issued rules, and in August 2008, the District addressed a portion of these circumstances.

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

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

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

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

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

Lack of a Formal Payroll Review Process at the Agency Level

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

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

Management's Response:

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

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

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

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

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

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

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

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2008-04 Office of Tax and Revenue (OTR)

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

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

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

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

2008-04A Automated Tax Refunds

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

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

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

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

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

2) A taxpayer account can be created with any nine digit number identified as an Employer Identification Number (EIN) or a Social Security Number (SSN). Currently, a process does not exist to match the EIN/SSN in ITS to a federal database to ensure that these identification numbers are valid. The EIN/SSN numbers are used as unique identifiers for a taxpayer account.

3) A review has not been completed to detect all potential unidentified taxpayer accounts within ITS. We were able to enter "000-00-0000" as a SSN within ITS and this number was associated with an ITS account and had 158 profiles/sub-accounts. As such, management has been unable to identify the universe of unidentified taxpayer accounts, the total balances of these accounts, and/or quantify the activity that is processed through these accounts.

4) Within ITS, the notes feature is used to attach explanations to specific transactions recorded in an account. However, the notes are linked to the taxpayer account and not the transaction code. As a result, it is difficult to find the explanation for a specific transaction. For instance, a taxpayer account may have numerous notes associated with it; however, the note is not linked to the specific transaction.

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

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

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

1) Converted remittances are payments or credits in taxpayer accounts that were not properly posted to the correct taxpayer account when OTR underwent the conversion from the old legacy system(s) to the new ITS system.

2) Management has been unable to quantify the balance of converted remittance payments in the ITS system.

3) Adequate controls do not exist over the review and transfer of converted remittance credits to taxpayer accounts to reduce a taxpayer's liability. In a January 5, 2009 report, OIO identified 2 instances where a Returns Processing Administration (RPA) employee used the converted remittance credits in an unidentified taxpayer account to reduce the tax liability of two taxpayers.

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

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

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

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

Management's Response:

We have taken or are taking the following actions:

- OTR will discontinue creation of new dummy accounts and will merge together into two accounts all existing accounts that were considered dummy accounts. These accounts will be handled using the "VIP" processing procedures which restricts read and write access to a limited number of OTR staff. Usually VIP access is limited to a need to know basis.

- RPA staff will be instructed to cease posting any transactions to accounts that are unidentified (i.e. dummy accounts). Transactions that do not have sufficient data to allow posting to an account will either be stopped in the Code and Edit function for management direction or if the transactions do get through the Integrated Data Capture System (IDCS) system, it will fall into the Suspense queue at which time, the case will be referred to management for additional direction.

- As referenced above, dummy accounts will be reclassified as VIP accounts and read/write/update rights will be extremely limited to select OTR personnel.

- OTR is currently working with the IRS, Social Security Administration, and other federal agencies to secure identification information that can be used within OTR to validate taxpayer's identification information.

- A SIR has been written to request ISA systemically delete the converted credits currently posted in the dummy accounts. The converted credits are not true credits and are a system error from the conversion from the former legacy system into ITS.

- Management will review all accounts that have "converted credits" to account for any credits that may have been transferred.

- All actions taken on dummy accounts will be documented. It is the intention to scan documentation of dummy account activity into the system and that it be associated with the account or transaction.

Integrated Tax System (ITS) User Rights

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

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

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

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

1) 5 employees were noted as terminated but still had access to the system.

2) 4 users (2 student trainees, 1 administrative assistant, and 1 clerical assistant) did not have the appropriate access.

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

Management's Response:

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

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

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

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

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

Management's Response:

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

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

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

Some tax refund checks mailed to District taxpayers are sent back to OTR. A tax refund check can often be returned because it could not be delivered to the taxpayer due to a change of name and/or address, or the address on the check was not specific enough (i.e. a taxpayer who lives in an apartment building but did not specify an apartment number). The following steps are taken when a tax refund check is returned to OTR:

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

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

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

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

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

Management's Response:

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

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

The following issues were noted during our review:

1) Tax refund vouchers and/or other documentation supporting real property tax refunds could not be located for 5 of the 64 real property ITS refund samples selected for testing. According to District procedures, supporting documentation for a real property tax refund should include a tax refund voucher, the Real Property Tax Bill (Form FP-177), and correspondence requesting the tax refund from the taxpayer, its agent, or the mortgage company/bank.

2) Of the remaining 59 sample selections, 12 refund vouchers were processed prior to the implementation of the Interim Refund Directive on March 31, 2008. These 12 refund vouchers were only signed by the Real Property Tax Administration and Adjustment Unit (RPTAAU) employee who prepared the voucher. A manager's review and approval was not documented for these real property tax refund vouchers.

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

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

Management's Response:

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

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

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

- Document Preparation Unit – This unit is responsible for preparing various tax returns and correspondence to be scanned into the Integrated Data Capture System (IDCS).

- Scanning and Review Operations Unit – The primary function of this unit is to scan tax returns into the IDCS. The IDCS system performs a balancing check, to ensure that the information entered into ITS matches the data in IDCS.

- Data Input and Repair Unit - After items have been scanned into IDCS, an edit check is done to determine if the scanned tax returns have errors. If an error has occurred, generally due to the system inability to read the information on the imaged returns, data operators receive the batches and manually enter the missing information into the Quick Key module of IDCS.

- Output Review Unit – This unit functions as quality control for the scanning and entering of tax information in ITS. The unit randomly selects 12% of all billed and refund returns and ensures that scanned tax return images are proper and the information per the scanned copies of the tax returns matches the information entered in ITS.

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

1) For 11 of the sample selections, the information in ITS such as the taxpayer name, address, and/or social security number or employer identification number did not match the information per the scanned copy of the tax return.

2) For 2 of the sample selections, there was no accompanying tax return scanned into ITS to support the tax refund issued to the taxpayer.

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

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

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

Management's Response:

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

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

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

- For all returns, declarations (estimated payments), extensions, or other documented postings to ITS, if these transaction falls into either the Suspense or Review queue, a 100% review is conducted to ensure the image matches the data. If a mismatch situation is found, the employee is instructed to (1) research all of the documents that were processed in the batch to ensure they were processed with the data and image are correctly associated; (2) document each mismatched image in Notes with sufficient information as to the issue; (3) if the correct image needs to be rescanned and associated, take the necessary action; and (4) complete a report that identifies the mismatch case(s) and the report is sent to management for additional research and statistical purposes.

- The Output Review unit has numerous review criteria, of which the 12% criteria cited is but one. Each of the review criteria has the same requirement to conduct a 100% of image to data.

- Over the past two processing years, OTR has eliminated capturing address information from most non-return documents (i.e. extension requests, declarations (estimated payments), sales returns, etc). OTR is implementing a Taxpayer Address Request system that will collect the latest address information from the IRS and that information will be used to update accounts in ITS.

Withholding Payments Processed through the Integrated Tax System (ITS)

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

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

Management's Response:

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

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

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

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

Management's Response:

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

2008-04B Manual Tax Refunds

Policies and Procedures for Processing a Manual Tax Refund

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

- Revenue Accounting Administration (RAA) – This administration is responsible for reviewing the manual refund voucher for appropriate authorization and adequacy of the supporting documentation and processing the voucher in SOAR, the District's accounting system of record. The manual refund process has been included in a detailed policies and procedures manual for RAA. This manual was implemented in May 2008.

- Real Property Tax Administration and Adjustment Unit (RPTAAU) – The Interim Refund Directive drafted by the Business Process Committee (BPC) and implemented on March 31, 2008, does not contain a complete and final listing of the documentation required to issue a manual refund generated from RPTAAU. Three divisions within this administration are in various stages of developing and implementing policies and procedures for processing manual refunds. Specifically:

    a. Tax Sale Division – RPTAAU has developed a policies and procedures manual for this division. The document includes policies for processing manual refunds and was implemented in December 2008.

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

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

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

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

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

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

Management's Response:

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

Internally Generated Standard Form for Requesting and Processing

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

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

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

c. *Approved in SOAR by* - Name of the individual who approved and released the manual refund in SOAR.

2) A signature list of the individuals authorized to review and approve the SRRV is not maintained by the Revenue Accounting Administration (RAA), the administration responsible for releasing the manual refund for payment. As a result, it is difficult to identify if an authorized employee has approved the manual refund request on the SRRV form. Management should consider adding to the SRRV form the printed name of the individual who prepares and approves the manual tax refund request, to avoid confusion if signatures are unidentifiable or illegible.

3) All SRRVs are assigned a sequential document number (similar to an invoice number). For 5 manual refunds tested, the document number on the SRRV had been manually changed. If the document numbers can be changed manually, a risk exists that document numbers may not be assigned sequentially and therefore may not be easily tracked.

4) When manual refund data is input into SOAR, the entry is not reviewed for accuracy. In 3 instances, the vendor name was misspelled when input into SOAR and consequently printed incorrectly on the refund check. In 1 instance, the vendor name was spelled incorrectly on the SRRV and consequently input incorrectly into SOAR and printed incorrectly on the refund check.

5) The SOAR Refund Review Certification form is attached to manual refund vouchers greater than the threshold amounts defined in the Refund Directive. This form is signed by the appropriate authorized approvers of a manual refund voucher within each respective administration. The form includes language which states several steps that the reviewer is "certifying" they have completed to ensure that the voucher is related to a valid refund request. However, we noted that the form does not contain language that states that the reviewer has ensured all supporting documentation as required by the Interim Refund Directive has been attached to the manual refund voucher. As a result, the reviewer is not asked to certify that they have reviewed the manual refund voucher in detail to ensure that all supporting documentation is attached to the voucher.

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

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

Management's Response:

Management will ensure that the following actions are taken:

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

<u>Lack of Adequate Supporting Documentation</u>

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

1) *Missing Manual Refund Voucher Packet* – Management was unable to provide us with 13 of the 101 manual refund vouchers as these vouchers could not be located. Based on additional documentation requested and alternate procedures conducted, we were able to determine that the vast majority of these refunds were valid refunds, even though the refund voucher could not be located.

2) *Insufficient Taxpayer and Vendor Correspondence or External Documentation* – Insufficient documentation was attached to the SRRV to substantiate the manual refund request. As a result, additional information had to be requested from the appropriate administration to ensure that the manual refund voucher was valid. In the majority of these instances, management was able to provide the documentation to support the validity of the refund. Specifically, we noted the following:

Real Property Tax Manual Refund Sample Selections:

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

Tax Sale Manual Refunds Sample Selections:

A. *Attorney Release Letter* - The lack of an attorney release represents a risk that the original property owner has not completed redemption on the applicable property, and therefore the tax sale purchaser is not due a refund. For 11 of 54 Tax Sale and Tax Sale Subsequent Payment manual refunds tested, the attorney release was not attached to the SRRV and had to be requested from the Real Property Tax Administration and Adjustment Unit (RPTAAU). OTR was unable to provide this document for 7 of these selections.

B. *Buyer's Report* - The Buyer's Report details each Square, Suffix, and Lot (SSL) number sold to a particular buyer for a particular tax year, and includes the amount of the outstanding taxes purchased and the amount of the surplus paid. Exclusion of the Buyer's Report from a manual refund package exposes OTR to the risk of disbursing unauthorized manual refunds. For 15 of 54 Tax Sale and Tax Sale Subsequent Payment manual refunds tested, the Buyer's Report was not attached to the SRRV and had to be requested from the RPTAAU. OTR was able to provide the supporting document when requested.

C. *Certificate of Sale (COS) or Certificate of Bid-off Sale (COBOS)* - The COS or COBOS verifies the tax sale purchaser's purchase of a specific SSL. Without this document, the veracity of the tax sale purchase cannot be determined, and consequently a risk exists of disbursing unauthorized manual refunds. For 4 of the 49 Tax Sale manual refund selections, the COS or COBOS was not attached to the SRRV and had to be requested from the RPTAAU. OTR was able to provide the supporting document when requested.

D. *Tax Sale Registration Form* - This document serves as further verification of the tax sale purchaser's purchase of a particular property at a particular District Tax Sale Auction. Furthermore, it bears evidence in the form of a stamp from the Cashier's Office that the tax sale purchaser deposited money with the District and is owed a refund. For 8 of 54 Tax Sale and Tax Sale Subsequent manual refund selections, the tax sale purchaser's Tax Sale Registration Form was not attached to the SRRV. Supporting forms had to be requested from the RPTAAU. OTR was able to provide the supporting document when requested for all but 1 sample selection.

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

Management's Response:

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

Refund Review Certification Form (Certification Form)

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

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

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

1) Two Real Property Tax Administration and Adjustment Unit (RPTAAU) employees signed 5 manual refund Certification Forms for tax sale refund vouchers above their approval authority levels. The delegation of authority documentation could not be located for one employee. For the second employee, email documentation stated that the employee's supervisor had granted the employee temporary authority to sign at the supervisor's approval level. However, the email documentation did not clearly state the start date and end date of this delegation of authority.

2) Two RPTAAU employees signed two ITS Certification Forms for a Real Property and a Fiduciary Tax refund above their approval authority levels.

3) The Certification Form does not have a column to indicate the date of review. As a result, the Revenue Accounting Administration (RAA) will be unable to verify if the individual signing and authorizing the refund voucher had the authorization to do so on the date of his or her review.

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

Management's Response:

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

Manual Refunds Posted to the Incorrect Agency Code

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

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

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

Management's Response:

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

2008-04C Other Issues

Reconciliations and Year-End Closing

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

1) We noted unreconciled differences between the amounts recorded in SOAR, the District's accounting system of record and the amounts in OTR's individual general ledger.

2) We noted that reconciliations of revenue accounts were incomplete. For instance, we discovered errors in the formula computing accrued revenue with respect to ballpark fees.

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

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

Management's Response:

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

Reconciliation of the Tax Sale Ledger

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

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

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

Management's Response:

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

Tax Sale Database

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

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

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

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

Management's Response:

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

Potential Segregation of Duties Issues

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

- When processing refunds, the Returns Processing Administration (RPA), the Problem Resolution Office (PRO), and the Recorder of Deeds (ROD) generally mark manual check requests hold-for-pickup (HFP) so that they are sent back to their administration. This is done so that the refund check can be verified for accuracy before distribution to the taxpayer. However, checks can be sent back to the individual who initiated and/or authorized the refund request.

- The Revenue Officers responsible for collecting delinquent taxpayer accounts receive check and money order payments from taxpayers and have access to post credit adjustments to taxpayer accounts. In addition, they are able to change taxpayer balances by recording various adjustments such as abate penalty and/or interest. They are also able to transfer payments from one year to another. Only a periodic manual review of the credit adjustments is performed by the collection managers.

- The same individuals within RPA who receive taxpayer payments and prepare the deposit also record the payments to taxpayer accounts within the Integrated Tax System (ITS). There is no reconciliation of taxpayer payments posted in ITS to the cash deposited in the bank and cash recorded as received in SOAR.

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

Management's Response:

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

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

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

Homestead Tax Credit Program

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

1) There was no consistent audit trail or evidence of review of the Homestead applications; this is specifically related to applications received prior to 2004 and processed outside of the Homestead Unit within the Real Property Tax Administration (RPTA) department of OTR.

2) Currently, Homestead applications are processed and approved either by the Homestead Unit or Recorder of Deeds Division. There is a lack of a centralized approval process.

3) In 1 out of 45 properties selected for testing, we found that supporting documentation related to the Homestead application could not be located.

4) We noted that because of the inconsistent reviews of the Homestead applications, there were many instances of individuals receiving multiple Homestead credits for multiple properties. The Homestead credit is only allowed for one property which is the property in which the owner resides in during the year. This lack of reviews has also resulted in a cap credit deficiency, which allowed individuals with multiple properties to receive the cap credit on more than one property.

5) In 2 out of 10 properties, selected by us for testing, with duplicate owner's names, we found that both properties were owned by the same individual who received the Homestead credit incorrectly. At our request, OTR then researched its database and determined that the estimated number of incorrect Homestead credits given related to at least 252 properties.

6) Certain category of non-individuals, including LLCs, which are ineligible for the Homestead credit, received this credit, to which they were not entitled. These entities also received the Assessment Cap Credit to which they were not entitled.

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

Management's Response:

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

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

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

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

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

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2008-05 District of Columbia Public Schools (DCPS)

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

Grants Management

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

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

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

Management's Response:

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

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

Medicaid Provider Programs and Claims

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

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

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

Management's Response:

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

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

Payroll – Timesheets

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

1) For 8 out of 50 transactions sampled, DCPS did not have properly approved time sheets.

2) For 2 out of 50 transactions sampled, the hours per the actual time sheets did not agree with the hours per the check register.

3) For 15 out of 50 transactions sampled, the actual pay rate did not match the employee master file.

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

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

Management's Response:

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

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

Disbursements

1) We reviewed 105 disbursements made during FY 2008 and DCPS could not locate the supporting documentation for 1 item.

2) We reviewed 45 direct disbursements and noted DCPS lacked supporting documentation for 2 of the direct disbursements.

3) We reviewed 54 subsequent cash disbursements and noted that 4 items, totaling approximately $7,000,000, were not properly accrued for in FY 2008 by DCPS management. The amounts were related to construction and food service expenditures and were adjusted during the audit process for year-end financial statement presentation.

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

Management's Response:

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

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

Plan Governance

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

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

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

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

Management's Response:

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

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

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

Plan Investments

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

1) The investment policy does not consider accounting treatment requirements and valuation risks associated with various types of financial instruments.

2) The District did not follow its own investment policy parameters. We noted that while the policy only allows for up to 10% in alternative investments, almost 21% of the funds were invested in alternative investments.

3) A team of 2 members at the Office of Finance and Treasury (OFT) made all investment decisions for FY 2008.

4) OFT relies on quarterly investment reviews from a third party, and yearly evaluations from each of the fund managers for assessment of fund performance and valuation. OFT does not review these for reasonableness. In particular, we noted that investment income had not been reviewed for reasonableness, accuracy, or completeness.

5) Despite confirmation that the BlackRock investment is an alternative investment type, OFT did not perform valuation procedures required by the accounting standards to have sufficient information to evaluate and independently challenge the fund's valuation and assess the composition of the underlying assets. Management is responsible for the fair value of alternative investment amounts as presented in the financial statements, and OFT currently outsources this responsibility to a third party. Outsourcing this function does not eliminate management's responsibility.

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

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

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

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

Management's Response:

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

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

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

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

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

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

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

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

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

Contribution and Premium Payments

Premium Payments

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

1) For the first ten months of the fiscal year, premium payments were not paid from the Trust's account, even though that was one of the purposes of establishing the Trust.
   The Bureau of Public Debt (BPD) received bills from the insurance carriers and paid them as they were received. The District's Office of Personnel Management (OPM) and Office of Finance and Resource Management (OFRM) reimbursed BPD for the monthly employer premium payments. In some months, the insurance providers billed the District directly, and those payments were also made from OFRM and OPM. In essence, the District was paying for the premiums on behalf of the Plan.

2) Money was contributed to the Trust specifically to make premium payments under the provisions of the Plan. However, the District was paying for these retiree benefits without any requests for repayment. Additionally, these expenditures were not approved or allowed for within the District's budget and the premium payments were made without proper verification of budgetary authority.

3) Payment from the District's General Fund as opposed to payments from the Trust results in a liability from the Plan to the District which had not been established on the books of the Plan.

4) The total amount of payments made by the District on behalf of the Plan is estimated to be approximately $1,800,000.

5) A proper chain of responsibility over insurance billings has not been established, as invoices were sent to and paid by different agencies at different times of the year.

Contribution Payments

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

1) We noted that over $37,000,000 of contributions to the OPEB Trust were made since 2003 without proper budgetary authorization. These contributions were made from the accumulated General Fund "budgetary savings" which were a result of the District funding a significant portion of its required contributions to the separate 401(a) Plan from various 401(a) Plan forfeitures. We also noted that pay-as-you-go employer contributions in the amount $4,583,433 made since 2002 were paid out of the General Fund. The District's pay-as-you-go contributions should be paid out of the Plan's assets.

2) In an attempt to correct this, during FY 2008, the Plan offset the aforementioned unapproved contributions, including interest earned for a total amount of $56,000,000 from the $110,000,000 set aside to fund the Plan for FY 2008.

3) However, the $56,000,000 owed to the District remained with the Plan for an additional 9 months through the end of June 2008. The Plan did not calculate and submit any additional interest incurred during this additional holding period.

4) During FY 2008, another unapproved and unreserved for payment was made by the District to the Plan and amounted to $5,400,000. The Plan did refund the money in June 2008, but did not repay the interest accrued on the investment.

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

Management's Response:

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

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

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

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

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

Participant Data and Retiree Folders

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

1) We were not provided with adequate support for 6 of the 72 sample items requested by us for testing for participants and active employees.

2) For all the participant's files reviewed, the hire data listed in the database did not exactly agree to the hire date per the retirees' file.

3) Several of the participant folders reviewed did not have the benefits enrollment form.

4) For some participant files reviewed, date of birth per the files did not agree with the date of birth per the database used by the actuary for valuation purposes.

5) The District of Columbia Retirement Board was unable to locate 2 files and the Metropolitan Police Department was unable to locate 1 file.

6) The database did not include proper employees' ID or Social Security Numbers, which is necessary to uniquely identify each annuitant or survivor.

7) There are no records of whether the general retiree portion of premium payments, which are mailed to the District's Department of Human Resources (DCHR) were received and recorded by the Office of Finance and Treasury (OFT), and forwarded onto insurance carriers. OFT was unable to confirm the amount due from retirees.

8) Completeness of data used for actuarial calculation purposes is problematic since the actuary obtains the data from multiple sources and then modifies it for inclusion in the actuarial valuation.

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

Management's Response:

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

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2008-07 Noncompliance with Procurement Regulations

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

The District of Columbia established the Office of Contracting and Procurement (OCP) in 1997 to improve acquisition outcomes. OCP functions as the District's lead contracting office on behalf of a significant number of District agencies and departments. The United States Government Accountability Office issued a report in January 2007, which indicated that approximately 2/3 of the District's $1.8 billion of procurement in FY 2005 was processed through OCP. While District personnel represent the procurement percentages have not changed significantly for FY 2008, District personnel were not able to provide specific percentages for FY 2008.

Several other District entities also perform procurement independently. Some of these include the Office of the Chief Financial Officer (OCFO), Child and Family Services Agency (CFSA), the District of Columbia Public Schools (DCPS), and the Department of Mental Health (DMH). Following are issues noted during our test work performed in conjunction with the audit of the FY 2008 Comprehensive Annual Financial Report.

Database Review

While the selected agencies provided contract information, these agencies could not confirm the completeness of this information. The absence of a tracking tool or a database inhibits the ability to verify completeness of contracts awarded, the amounts awarded, and status of each contract entered into. Further, the maintenance of a database is critical in the evaluation of controls.

We further noted that the contracts field in the Procurement Automated Support System (PASS) is not a required field. As such, we could not validate the accuracy and completeness of contracts referenced to in purchase orders.

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

Management's Response:

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

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

We noted the following during our audit process:

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

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

2) *Approvals for Legal Sufficiency* – There were 3 instances during which certain agencies selected for testing failed to provide evidence of the Office of Attorney General's review and approval of the contract for legal sufficiency. There were 2 missing approvals at OCP and 1 at CFSA .

3) *Failure to Provide City Council Approval* – Evidence of Council approval for contracts over $1 million was not provided for 1 contract selected for testing at CFSA.

4) *Failure to Provide Business Clearance Memorandum (BCM) Approvals* – There was 1 instance at CFSA during which the required Business Clearance Memorandum was not provided.

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

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

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

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

6) *Review and Certification of Sole Source Contracts by the Chief Financial Officer* – We noted that there were 2 sole-source contracts that were extended or renewed where review and certification by the Chief Financial Officer was not provided. There was 1 instance at OCFO and 1 instance at CFSA.

7) *Inadequate Documentation of the Significant History of the Procurement* – We noted 1 instance where CFSA was unable to provide evidence of significant history of the selected procurement.

8) *Lack of Documentation of Full and Open Competition* – We noted 1 instance where CFSA was unable to provide evidence of full and open competition of the selected procurement.

9) *Failure to Provide Cost Price Analysis* – There were 5 instances at OCFO and 2 instances at CFSA where the file reviewed lacked evidence that a cost/price analysis was performed.

10) *Review of Compliance with Tax Requirements* – There was 1 instance at OCP, 1 instance at D.C. Public Library (DCPL), and 1 instance at DCPS where the tax certification affidavits were not notarized. In addition, there were 2 instances at CFSA where we were not provided with tax verification responses from both the Department of Employment Services (DOES) and Office of Tax and Revenue (OTR).

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

11) *Lack of Evidence of Review of the Debarment, Suspension, and Ineligibility List* – There were 2 instances at DMH and 1 instance at DCPS where the files lacked adequate documentation regarding the procedures for checking against the Federal Debarred and Suspended List and the District's Excluded Parties List.

12) *Failure to Provide Evidence of Contractor Evaluation* – We noted 3 instances at CFSA and 7 instances at OCP where contractor evaluations were not provided.

13) *Review of Contracts for Accrued Expenses* – We also noted that transactions were recorded as accrued expenses and were not supported by valid contracts prior to the services being rendered.

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

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

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

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

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

Management's Response:

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

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

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

Purchase Order Splitting

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

1) There were 15 instances at OCP where there was no evidence of City Council approval.

2) There were 4 instances at OCFO where there was no evidence of City Council approval.

3) There were 15 instances at OCP where there was no evidence of OAG approval.

4) There were 2 instances at OCFO where there was no evidence of OAG approval.

Management's Response:

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

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

Limited Competition Small Purchase Threshold

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

Management's Response:

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

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

Competitive Small Purchases

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

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

1) There were 3 purchases at DMH from 3 vendors.

2) There were 2 purchases at CFSA from 1 vendor.

3) There were 3 purchases at OCFO from 2 vendors.

4) There were 57 purchases at OCP from 24 vendors.

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

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

5) There were 8 purchases at DMH from 4 vendors.

6) There was 1 purchase at CFSA from 1 vendor.

7) There were 5 purchases at OCFO from 2 vendors.

8) There were 56 purchases at OCP from 32 vendors.

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

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

9) There was 1 purchase at DMH from 1 vendor.

10) There were 2 purchases at OCFO from 3 vendors.

11) There were 55 purchases at OCP from 27 vendors.

Management's Response:

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

Ratification Process and Friendly Lawsuits Process

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

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

Management's Response:

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

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

* * * * *

2008-08 Noncompliance with the Quick Payment Act

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

> *In accordance with rules and regulations issued by the Mayor of the District of Columbia ("Mayor"), each agency of the District of Columbia government ("District"), under the direct control of the Mayor, which acquires property or services from a business concern but which does not make payment for each complete delivered item of property or service by the required payment date shall pay an interest penalty to the business concern in accordance with this section on the amount of the payment which is due.*
>
> Specifically, the due dates required are as follows:
>
> - The date on which payment is due under the terms of the contract for the provision of the property or service;
> - 30 calendar days after receipt of a proper invoice for the amount of payment due;
> - In the case of meat or a meat food product, a date not exceeding seven calendar days after the date of delivery of the meat or meat food product; and
> - In the case of agricultural commodities, a date not exceeding seven calendar days after the date of delivery of the commodities.

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

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

For the year ended September 30, 2008, we noted 280 instances where the District failed to comply with the Quick Payment Act.

Management's Response:

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

* * * * *

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

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

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

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

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

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

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

Management's Response:

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

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

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2008-10 Expenditures in Excess of Budgetary Authority

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

> A District agency head, deputy agency head, agency chief financial officer, agency budget director, agency controller, manager, or other employee may not: (1) Make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund.

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

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

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

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

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

At September 30, 2008, the Child and Family Services Agency (CFSA) had overspent its local budget by approximately $82,900,000 million and the District of Columbia Public Schools (DCPS) had overspent its local budget by approximately $26,600,000 million, thus violating the Anti-Deficiency and Home Rule Acts. This was a result of potential disallowances from previous years with respect to Medicaid cost report audits, and management has estimated additional potential disallowances and reflected these as accrued liabilities in the accounting records at year-end for CFSA and DCPS, respectively.

Management's Response:

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

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

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

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

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

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

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

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Section III – Federal Award Findings and Questioned Costs

District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-11	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number: 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	Allowable Costs: Escheated Warrants	Not Determinable

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

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

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

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

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

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

Condition – DOH is required to identify cancelled and uncashed checks beyond a period of 180 days of issuance at the end of each calendar quarter and refund all Federal Financial Participation (FFP) received for uncashed checks by adjusting the quarterly CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program.* We noted that DOH did not identify cancelled or uncashed checks over 180 days after issuance and refund the corresponding FFP in a timely manner. The Office of Financial Operations and Systems (OFOS) provides a list of cancelled and uncashed checks to DOH once a year, usually in June or July, listing cancelled and uncashed checks for the preceding calendar year.

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

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

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

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

Recommendation – We recommend that DOH comply with the requirements in 42 CFR section 433 and establish adequate policies and procedures to ensure that cancelled and uncashed checks over 180 days from the date of issuance are identified on a quarterly basis and all FFP received for uncashed checks are refunded to the Federal government in a timely manner. In addition, we recommend that DOH identify cancelled and uncashed checks over 180 days after issuance for FY 2008 and refund the amount of FFP and any interest liability incurred as a result of the delay.

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

DOH/Department of Health Care Finance (DHCF) requested that the Office of Financial Operations and Systems (OFOS) change the District policy to conform to the federal CFR for all escheated warrants. OFOS agreed to change the process for the Medicaid program. Starting with the quarter ended March 2009, OFOS is producing a listing of escheated warrants for the Medicaid program on a quarterly basis.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-12	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number: 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028, 05-0805DC5048 Grant Award Period: 10/1/07-9/30/08	Allowable Costs: Drug Rebates	Not Determinable

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

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

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

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

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

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

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

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

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

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

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-13	U.S. Department of Housing and Urban Development Housing Opportunities for Persons with AIDS CFDA Number: 14.241 Grant Award Number: DCH07-F001 Grant Award Period: 10/1/07-9/30/08	Cash Management: Funding Technique	Not Determinable

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

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

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

Condition – We reviewed 2 out of the 5 drawdowns made during FY 2008 totaling $4,889,340 and noted that the 2 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8HAA30 and DA8HAA63 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DA8HAA30 and DA8HAA63 included expenditures in the amount of $1,061,929 which had not been disbursed when the requests for the drawdowns were made.

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

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

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

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

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

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

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

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

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

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-14	U.S. Department of Health and Human Services State Children's Health Insurance Program CFDA Number: 93.767 Grant Award Number: 05-0805DC5021 Grant Award Period: 10/1/07-9/30/08	Cash Management: Funding Technique	Not Determinable

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

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

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

Condition – We reviewed 12 out of the 72 drawdowns made during FY 2008 totaling $398,808 and noted that 2 of the 12 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8MAD01 and DA8MAD02 were made later than required by the CMIA agreement.

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

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

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

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

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

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

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-15	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number: 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	Cash Management: Funding Technique	Not Determinable

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

- Program payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of the disbursement.
- Provider payments require the use of the average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

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

Condition – We reviewed 12 out of the 72 drawdowns made during FY 2008 totaling $173,378,231 and noted that 2 of the 12 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8MAD01 and DA8MAD02 were made later than required by the CMIA agreement.

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

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

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

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

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

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

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-16	U.S. Department of Health and Human Services HIV Emergency Relief Project Grants CFDA Number: 93.914 Grant Award Number: 6H89HA00012-17, 6H89HA00012-18 Grant Award Period: 3/1/07-2/29/08, 3/1/08-2/28/09	Cash Management: Funding Technique	Not Determinable

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

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

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

Condition – We reviewed 7 out of the 28 drawdowns made during FY 2008 totaling $6,550,028 and noted that the 7 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8HAA54, DT8HAA08, DA8HAA12, DA8HAA43, DA8HAA07, DA8HAA25, and DA8HAA58 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DT8HAA08, DA8HAA12, DA8HAA43, and DA8HAA58 included expenditures in the amount of $1,866,702 which had not been disbursed when the requests for the drawdowns were made.

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

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

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

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

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

A new methodology was implemented in the fourth quarter of FY 2008 that requires DOH/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures from SOAR, the District's accounting system of record. The cash draw request is made on Thursday to ensure funds are deposited to the District's account on Friday. Because of the volume of grants that comprise DOH's budget, 100% adherence to the CMIA for non-personnel services is not feasible and may give the appearance that funds are requested in advance. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-17	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number: 93.917 Grant Award Number: 6 X07HA00045-17, 2 X07HA00045-18 Grant Award Period: 4/1/07-3/31/08, 4/1/08-3/31/09	Cash Management: Funding Technique	Not Determinable

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

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

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

Condition – We reviewed 7 out of the 29 drawdowns made during FY 2008 totaling $9,689,545 and noted that the 7 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8HAA25, DA8HAA37, DA8HAA59, DA8HAA24, DA8HAA43, DA8HAA39, and DT8HAA08 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DA8HAA25, DA8HAA59, DA8HAA24, and DT8HAA08 included expenditures in the amount of $321,619 which had not been disbursed when the requests for the drawdowns were made.

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

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

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

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

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

A new methodology was implemented in the fourth quarter of FY 2008 that requires DOH/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures from SOAR, the District's accounting system of record. The cash draw request is made on Thursday to ensure funds are deposited to the District's account on Friday. Because of the volume of grants that comprise DOH's budget, 100% adherence to the CMIA for non-personnel services is not feasible and may give the appearance that funds are requested in advance. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-18	U.S. Department of Health and Human Services HIV Prevention Activities CFDA Number: 93.940 Grant Award Number: 3U62PS323517-05S1 Grant Award Period: 1/1/08-12/31/09	Cash Management: Funding Technique	Not Determinable

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

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

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

Condition – We reviewed 5 out of the 17 drawdowns made during FY 2008 totaling $1,239,675 and noted that the 5 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8HAA06, DA8HAA50, DA8HAA32, DA8HAA16, and DA8HAA14 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DA8HAA50, DA8HAA32, and DA8HAA16 included expenditures in the amount of $661,487 which had not been disbursed when the requests for the drawdowns were made.

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

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

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

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

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

A new methodology was implemented in the fourth quarter of FY 2008 that requires DOH/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures from SOAR, the District's accounting system of record. The cash draw request is made on Thursday to ensure funds are deposited to the District's account on Friday. Because of the volume of grants that comprise DOH's budget, 100% adherence to the CMIA for non-personnel services is not feasible and may give the appearance that funds are requested in advance. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-19	U.S. Department of Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse CFDA Number: 93.959 Grant Award Number: 3B08TI010008-08S1 Grant Award Period: 10/1/07-9/30/09	Cash Management: Funding Technique	Not Determinable

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

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

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

Condition – We reviewed 2 out of the 5 drawdowns made during FY 2008 totaling $4,324,552 and noted that the 2 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA82PBG8 and DA8APBG8 were made later than required by the CMIA agreement.

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

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

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

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

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

A new methodology was implemented in the fourth quarter of FY 2008 that requires DOH/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures from SOAR, the District's accounting system of record. The cash draw request is made on Thursday to ensure funds are deposited to the District's account on Friday. Because of the volume of grants that comprise DOH's budget, 100% adherence to the CMIA for non-personnel services is not feasible and may give the appearance that funds are requested in advance. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-20	U.S. Department of Health and Human Services State Children's Health Insurance Program CFDA Number: 93.767 Grant Award Number: 05-0805DC5021 Grant Award Period: 10/1/07-9/30/08	Eligibility	Not Determinable

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

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

- 2 participant files did not have signed application forms.
- 3 participant files did not have a verification of the applicant's income.
- 2 participant files did not have complete and signed citizenship declaration forms.
- 1 participant file did not show that a social security number (SSN) was furnished or verified.
- 1 participant file showed that the participant was a non-qualified alien and ineligible to receive SCHIP benefits.
- 1 participant file showed that the participant was given 15 months of SCHIP eligibility instead of 12 months.
- 2 participant files did not have evidence of supervisory review and approval for eligibility determination decisions.
- 1 participant file could not be located.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions – Based on a review of the case records, IMA disagrees with some of the exceptions.

- IMA applications and recertification forms require a customer to declare citizenship or to report changes in citizenship status. In addition, verification of US citizenship is required. Of the 2 cases reported as not having signed Citizenship Declaration forms, birth certificates are on file.
- IMA verifies SSNs via ACEDS transmissions to and from the Social Security Administration (SSA). In addition, customers are allowed to provide a printout of the SSN from SSA. ACEDS reports the SSN as verified and the printout is on file.
- IMA supervisors are required to review and approve eligibility determinations. However, the supervisory review and approvals are completed in ACEDS and do not appear on the Medical Assistance recertification forms.

IMA has developed initiatives to address the deficiencies cited including ensuring that all participants are eligible and that verifications used to determine eligibility are maintained in the case records.

Enhanced Supervisory Review: IMA has enhanced the supervisory review process to include second level reviews completed by Section Chiefs and Program Managers. These reviews will ensure that all eligibility factors and verifications are screened for correctness by more than one level of management. In addition, monitoring will be completed to analyze progress.

Performance Standards: The analysis of quality assurance reports will assist with developing performance standards. Employees will be introduced to these performance standards and the outcomes measured. Case actions which contribute to deficiencies will be used to create performance improvement plans.

Ongoing Policy Refresher Trainings: IMA conducts refresher trainings on a regular and as needed basis. Employees (on all levels) are engaged in activities to enhance knowledge of policy and procedures and to ensure that staff is aware of any changes in requirements or laws.

Document Management and Imaging: DHS is issuing a Request for Proposal (RFP) for a Document Imaging System (DIMS) and the Scanning of IMA case records. The Statement of Work was provided to the Office of Contracting and Procurement for RFP development on June 18, 2009. Digital case records will 1) reduce the incidence of lost or misplaced records; 2) assist with verifications, such as birth, citizenship, and wages; 3) improve accuracy; and 4) streamline the monitoring and investigation process.

IMA Management will develop or refine internal control procedures for case maintenance, including a strengthening of the business process for both paper records, as well as electronic records.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-21	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number : 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	Eligibility	Not Determinable

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

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

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

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions – Based on a review of the case records and the comments, IMA disagrees with some of the exceptions.

- Customers who present an incomplete recertification are allowed four months to provide needed documents to determine eligibility as per IMA Policy, Part VIII, Chapter 4.
- IMA applications and recertification forms require a customer to declare citizenship or to report changes in citizenship status. In addition, verification of US citizenship is required. For 2 of the 4 cases reported as not having signed Citizenship Declaration forms, birth certificates are on file.
- IMA verifies SSNs via ACEDS transmissions to and from the Social Security Administration (SSA). In addition, customers are allowed to provide a printout of the SSN from SSA. ACEDS reports the SSN as verified and the printout is on file.
- IMA supervisors are required to review and approve eligibility determinations. However, the supervisory review and approvals are completed in ACEDS and do not appear on the Medical Assistance recertification forms.

IMA has developed initiatives to address the deficiencies cited including ensuring that all participants are eligible and that verifications used to determine eligibility are maintained in the case records.

Enhanced Supervisory Review: IMA has enhanced the supervisory review process to include second level reviews completed by Section Chiefs and Program Managers. These reviews will ensure that all eligibility factors and verifications are screened for correctness by more than one level of management. In addition, monitoring will be completed to analyze progress.

Case Banking: This initiative eliminated caseloads and implemented a team approach to case interviewing and processing. Case banking involves function based case processing and requires that all case records be placed in a central file subsequent to each case action. A member of the center's management team is responsible for ensuring that all documents needed to make a determination are located in the case record.

Document Management and Imaging: DHS is issuing a Request for Proposal (RFP) for a Document Imaging System (DIMS) and the Scanning of IMA case records. The Statement of Work was provided to the Office of Contracting and Procurement for RFP development on June 18, 2009. Digital case records will 1) reduce the incidence of lost or misplaced records; 2) assist with verifications, such as birth, citizenship, and wages; 3) improve accuracy; and 4) streamline the monitoring and investigation process.

IMA Management will develop or refine internal control procedures for case maintenance, including a strengthening of the business process for both paper records, as well as electronic records.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-22	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number: 93.917 Grant Award Number: 6 X07HA00045-17, 2 X07HA00045-18 Grant Award Period: 4/1/07-3/31/08, 4/1/08-3/31/09	Eligibility	Below Reporting Threshold

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement states, "To be eligible to receive assistance in the form of therapeutics, an individual must have a medical diagnosis of HIV/AIDS and be a low-income individual, as defined by the State (42 USC 300ff-26(b); Pub. L. No. 109-415, section 2616(b))." Further, the Notice of Grant Award program term states, "The HRSA expects all Part B grantees to implement an AIDS Drug Assistance Program (ADAP) recertification process, at a minimum, every six months to ensure that the program only serves eligible clients."

The District has provided a two month grace period to ensure enough time is given to participants for recertification.

Condition – DOH - HIV/AIDS Administration (HAA) is responsible for determining participant eligibility for the ADAP. Each participant is required to provide medical certification every 6 months with a grace period of 2 months. We noted the following during our review of 45 participant files which had been selected for testing:

- 2 participant files did not have the completed and certified medical verification form indicating whether the applicant was eligible to receive ADAP benefits.
- 1 participant received benefits during the year without recertification documents in the file.

Context – This is a condition identified per review of DOH's compliance with specified requirements. Since HAA could not provide documentation to support the eligibility decision for the two missing medical verification files and one recertification file, there is no assurance that these participants are eligible to receive ADAP benefits. The total ADAP benefits paid for the participants mentioned above was $826.

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

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

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

Views of Responsible Officials and Planned Corrective Actions – HAA converted all its application documents to electronic files. During the conversion, some pages were lost or misfiled in the process. Since there will be no future large scale paper-to-electronic file conversion for ADAP files (we are currently operating in an all-electronic document environment), there will be no opportunity for pages to be overlooked in a large-scale scanning process.

To ensure the completeness of documentation for each file, HAA internal control procedure requires two levels of staff review before a client can be deemed eligible for ADAP services.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-23	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number : 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	Procurement, Suspension, and Debarment	Not Determinable

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

Condition – DOH and the Office of Contracting and Procurement (OCP) were not able to provide proper documentation to support that 3 out of the 19 procurement files sampled were in accordance with OCP's policies and procedures to ascertain whether a cost or price analysis was performed.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 19 procurement files totaling $21,114,111.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could award contracts to vendors whose contract prices are unreasonable.

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

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

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including evidence that the awarded price is fair and reasonable.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-24	U.S. Department of Health and Human Services HIV Emergency Relief Project Grants CFDA Number: 93.914 Grant Award Number: 6H89HA00012-17, 6H89HA00012-18 Grant Award Period: 3/1/07-2/29/08, 3/1/08-2/28/09	Procurement, Suspension, and Debarment	Not Determinable

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

Condition – DOH and the Office of Contracting and Procurement (OCP) were not able to provide proper documentation to support that 1 out of the 4 procurement files sampled was in accordance with OCP's policies and procedures with regards to (1) supporting the significant history of the procurement; (2) supporting the vendor selection process; and (3) ascertaining whether a cost or price analysis was performed.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 4 procurement files totaling $936,886.

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

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

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

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task.

OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including significant history of the procurement, the selection process, and evidence that the awarded price is fair and reasonable.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-25	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number: 93.917 Grant Award Number: 6 X07HA00045-17, 2 X07HA00045-18 Grant Award Period: 4/1/07-3/31/08, 4/1/08-3/31/09	Procurement, Suspension, and Debarment	Not Determinable

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

Condition – DOH and the Office of Contracting and Procurement (OCP) were not able to provide proper documentation to support that 6 out of the 14 procurement files sampled were in accordance with OCP's policies and procedures to ascertain whether a cost or price analysis was performed.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 14 procurement files totaling $10,327,540.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could award contracts to vendors whose contract prices are unreasonable.

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

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

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including significant history of the procurement, the selection process, and evidence that the awarded price is fair and reasonable.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-26	U.S. Department of Health and Human Services HIV Prevention Activities CFDA Number: 93.940 Grant Award Number: 3U62PS323517-05S1 Grant Award Period: 1/1/08-12/31/09	Procurement, Suspension, and Debarment	Not Determinable

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

Condition – DOH and the Office of Contracting and Procurement (OCP) were not able to provide proper documentation to support that 2 out of the 5 procurement files sampled were in accordance with OCP's policies and procedures to ascertain whether a cost or price analysis was performed. In addition, 1 out of the 5 procurement files sampled lacked documentation to ascertain whether at least three quotations were obtained from vendors during the contractor selection process.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 5 procurement files totaling $55,192.

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

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

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

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices.

A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including significant history of the procurement, the selection process, and evidence that the awarded price is fair and reasonable.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-27	U.S. Department of Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse CFDA Number: 93.959 Grant Award Number: 3B08TI010008-08S1 Grant Award Period: 10/1/07-9/30/09	Procurement, Suspension, and Debarment	Not Determinable

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

Condition – DOH and the Office of Contracting and Procurement (OCP) were not able to provide proper documentation to support that 1 out of the 3 procurement files sampled was in accordance with OCP's policies and procedures to ascertain whether a cost or price analysis was performed.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 3 procurement files totaling $82,291.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could award contracts to vendors whose contract prices are unreasonable.

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

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

Views of Responsible Officials and Planned Corrective Actions – OCP conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including significant history of the procurement, the selection process, and evidence that the awarded price is fair and reasonable.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-28	U.S. Department of Health and Human Services	Subrecipient Monitoring	Not Determinable

HIV Care Formula Grants
CFDA Number: 93.917
Grant Award Number: 6 X07HA00045-17,
2 X07HA00045-18
Grant Award Period: 4/1/07-3/31/08, 4/1/08-3/31/09

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

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

Condition – DOH - HIV/AIDS Administration (HAA) did not perform the required monitoring of its subrecipients. During our testing, we noted the following in our sample of 7 subrecipient monitoring folders:

- 1 subrecipient did not submit its financial and programmatic packages and other reports on a timely basis. No evidence of follow-up was noted by DOH.
- 1 subrecipient had no evidence of a review done by the DOH grant monitor on the invoice submitted by the subrecipient.
- There was no evidence that an on-site visit was conducted for 1 subrecipient.
- Documentation of the impact of audit findings in the A-133 reports or the corrective action plan follow-up with 2 subrecipients was not able to be provided.

Context – This is a condition identified per review of DOH's compliance with specified requirements. The total number of subrecipients in FY 2008 was 28.

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

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding that the subrecipient in question did not submit its financial and programmatic packages and other reports timely. Management does not concur that the subrecipient had no evidence of review done by the grant monitor and no on-site visit was conducted. Management concurs with the finding that HAA did not document the impact of audit findings in the A-133 reports and no corrective action plan was implemented with regards to the subrecipients in question.

HAA has policies and procedures in place to follow up when invoices are not submitted timely. However, in this instance, policies and procedures were not adhered to by personnel. HAA has strengthened its internal control starting October 1, 2009 which will ensure compliance with HAA's policies and procedures.

The sub-grantee cited for not having a Grant Monitor's review and site visit was awarded a two year contract to provide a unique service. The sub-grantee did not provide direct client services, and consequently was not subject to an annual site visit. The sub-grantee provided a quarterly reconciliation and progress report as required. A site visit will be conducted prior to the end of award to assess fiscal compliance and operational control.

Beginning in October 2009, HAA will have policies and procedures in place that will require an internal review process of the A-133 audits. Sub-grantees with findings that affect HAA directly or indirectly will be required to provide a Corrective Action Plan to address the deficiencies identified.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-29	U.S. Department of Housing and Urban Development Housing Opportunities for Persons with AIDS CFDA Number: 14.241 Grant Award Number: DCH07-F001 Grant Award Period: 10/1/07-9/30/08	Special Tests and Provisions: Housing Quality Standards	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement requires that all housing which involves acquisition, rehabilitation, conversion, lease, repair of facilities, new construction, project- or tenant-based rental assistance (including assistance for shared housing arrangements), and operating costs must meet various housing quality standards listed in 24 CFR section 574.310(b)(1)-(2).

Condition – DOH did not perform the required re-inspection of a grantee's facility to ensure that the unit met the housing quality standards.

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

Effect – Failure to comply with the various housing quality standards requirement could lead to a loss of funding.

Cause – It appears that DOH did not exercise due diligence in ensuring that the housing inspections as required by the OMB Circular A-133 and 24 CFR section 574.310(b)(1)-(2) are met and that any needed repairs were completed timely.

Recommendation – We recommend that DOH ensure that the required re-inspection of housing units is performed and that needed repairs are completed timely to comply with the specified requirements.

Views of Responsible Officials and Planned Corrective Actions – In order to ensure that the unit meets the housing quality standards, HAA has consolidated the re-inspections with the payment of rental subsidies, so that subsidies cannot be reimbursed for those units that were not re-inspected.

HAA also notes that despite the occasional lapse in regular inspections and re-inspections, inspections resulting from a complaint from a tenant, landlord, or supportive service provider have remained in place, thus providing an additional form of protection for the well-being of the client.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-30	U.S. Department of Health and Human Services Medical Assistance Program Cluster CFDA Number : 93.775, 93.777, 93.778 Grant Award Number: 05-0805DC5028 Grant Award Period: 10/1/07-9/30/08	Special Tests and Provisions: Utilization Control and Program Integrity	Not Determinable

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

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

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

In December 2008, a new Memorandum of Understanding was signed between the Office of the Inspector General (OIG) Medicaid Fraud Control Unit and the Department of Health Care Finance (DHCF), formerly MAA. The MOU sets forth the terms and responsibilities of the MFCU and DHCF. Specifically, it requires that the DHCF refer matters when they have suspicion of fraud.

Context – During FY 2008, MAA referred only 5 of the 38 (13%) potential fraud cases to the MFCU. In addition, MAA referred only 1 of the 207 (.004%) abuse and neglect matters to the MFCU.

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

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

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

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

MAA's Response:

Before responding to the issue raised in this item, the Department of Health Care Finance (DHCF) (formerly the Medical Assistance Administration), needs to correct inaccurate information contained in the audit finding. First, the audit states:

> "The MAA's Office of Surveillance and Utilization (SUR) is mandated to perform surveillance and utilization reviews that monitor and control improper or illegal utilization of the program by the providers and recipients of medical services and make referrals to the MFCU if they suspect fraud or abuse."

In fact, instructions to state Medicaid agencies from the Federal Centers for Medicare and Medicaid Services make clear that referrals of suspected abuse (as opposed to suspected fraud) are made at the discretion of the States under the terms of each State Medicaid Agency's memorandum of understanding with the MFCU:

> *Referrals of Suspected Provider Abuse*
>
> Separate from the issue of referrals of fraud is the issue of whether and when to refer cases of suspected of provider abuse. While States are under an explicit obligation under 42 CFR section 455.21 to refer instances of suspected fraud, provider abuse referrals are referenced in the regulations only in 42 CFR section 455.15. Therefore, as indicated in that regulation, when the MOU between the PIU [Program Integrity Unit] and the MFCU provides that the PIU should make referrals of provider abuse (as distinct from fraud) cases, States should refer suspected provider abuse, and consider using the same standard set forth above for fraud referrals (substituting the definition of "abuse" in section 455.2 for the fraud definition). When such a provision is not included in the MOU, the State Medicaid agency should conduct a full investigation." Source: *Best Practices for Medicaid Program Integrity Units' Interactions with Medicaid Fraud Control Units.* Medicaid Integrity Group. September 2008. Available at http://www.cms.hhs.gov/FraudAbuseforProfs/Downloads/bestpracticespiunitinteractionswithmfcu.pdf

In December 2008, a new Memorandum of Understanding (MOU) was executed between the MFCU and the District's Medicaid program. This MOU makes clear that provider fraud, and not provider abuse, is the type of case to be referred from MAA (now DHCF) to the MFCU.

Second, the audit states that:

> "The Department of Health's Medical Assistance Administration (MAA) is not referring all potential fraud cases directly to the Medicaid Fraud Control Unit. The MAA's Office of Surveillance and Utilization (SUR) is mandated to perform surveillance and utilization reviews that monitor and control improper or illegal utilization of the program by the providers and recipients of medical services and make referrals to the MFCU if they suspect fraud or abuse."

This too is incorrect. Federal regulations require the *single state agency* to refer suspected cases of fraud to the MFCU; these regulations do not specify what administrative unit of the single state agency should make the referral; nor do they define what constitutes the preliminary investigation that the Medicaid agency is required to conduct prior to making referral to the MFCU. DHCF is in full compliance with federal regulations.

Third, the audit states that, "MAA is not complying with the terms and conditions of the MOU signed between the MFCU and the MAA and is in violation of the Federal Regulations." This too is incorrect. MAA's prior MOU with the MFCU ended on May 23, 2006. No MOU existed between May 23, 2006 and December 31, 2008. (Federal regulations place responsibility for executing a MOU with the MFCU).

Fourth, the audit recommends that, "DOH comply with the terms and conditions of the MOU and make SUR referrals directly to MFCU." The SUR unit is not addressed in current or past MOUs. As is the case with federal regulations above, the MOUs have addressed the action the *Medicaid agency* needs to take; not what component of the Medicaid agency should be the administrative unit to make the referral.

Further, based on comparative data collected by the DHCF, and an analysis conducted by the Federal Office of the Inspector General, the number of referrals the District's Medicaid program makes to the District's MFCU is comparable to the number made by other states, given the size of the District's program. For example, the DHCF referred 5 cases of suspected provider fraud over a one year period. DHCF's 5 referrals per 150,000 beneficiaries is higher than neighboring jurisdictions of Maryland and Virginia who only referred 9 of 600,000 and 8 of 750,000 respectively. Furthermore, a 2007 Federal Office of Inspector General report, found that nationwide, MFCUs reported receiving 13,733 suspected fraud referrals over a 3-year period, of which 29 percent of the referrals came from State Medicaid agencies.

As above, in December 2008, a new Memorandum of Understanding (MOU) was executed between the MFCU and the District's Medicaid program, which clarified the process whereby the Medicaid program is to make referrals to the MFCU. This MOU, in part, states that the Medicaid program will:

> "2. Conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation if it receives a complaint of alleged Medicaid fraud or abuse (as defined by 42 CFR § 455.2) from any source or identifies any questionable practices, as required by 42 CFR § 455.14.

3. On a quarterly basis, discuss with the MFCU the DHCF preliminary investigations it has completed in the prior quarter and has determined warrant a full investigation. If, after discussion, the MFCU and DHCF determine that these matters involve potential fraudulent activity, the DHCF will directly refer these matters to the MFCU."

These and other provisions of the MOU are expected to help achieve improved understanding of the federal requirements with respect to Medicaid referrals to the MFCU, and the number of referrals that should reasonably be expected. DHCF is committed to abiding by the terms of the MOU and continue making appropriate referrals to the MFCU in FY 2009.

Finally, new procedures and standards established by DHCF have streamlined the preliminary investigations conducted by Investigations staff. The new standards and procedures enable preliminary investigations to be conducted within one month. This one month will not add substantial delay to MFCU investigations which typically take years to complete. It does enable the DHCF to have a better understanding of the nature of problems associated with individual providers.

MFCU's Response:

In FY 2008, the MFCU received few referrals from the MAA. The statistics cited in the audit report are correct. Taking into consideration the U.S. Department of Health and Human Services (HHS) Office of the Inspector General's 2007 report, cited by DHCF, in which 29% of referrals nationwide over a three year period came from state Medicaid agencies, the D.C. referral rate of 13% of the total fraud referrals into the MFCU is less than one-half of that rate. Further, a poor referral rate from neighboring jurisdictions is not a valid or useful comparison. The final D.C. statistic for 2008 is what is the critical number. The MAA referred 5 fraud matters to the MFCU, or 13% of its total fraud referrals.

With regard to the MOU, the response from the DHCF (formerly MAA) is incorrect. There has always been an MOU between the OIG and the MAA; one was signed by all parties in 2003 and was in effect until the new MOU was executed in December 2008. The MFCU is required by HHS performance standards to update the MOU between the MFCU and the single state agency no less often than every five years. The MFCU started discussions with the MAA staff in February 2008 with the goal of updating the existing 2003 MOU. It took until December 2008 to finalize that MOU.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-31	Social Security Administration Social Security - Disability Insurance CFDA Number : 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/07-9/30/08	Allowable Costs: Indirect Cost Activities	Not Applicable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement states that indirect costs which may be charged to the disability insurance program generally arise from three sources: (a) administrative costs of the parent agency related to DDS; (b) business costs associated with the accounting, billing, and procurement services provided by the parent agency to DDS; and (c) automated services provided to DDS that are operated by the parent agency.

Indirect costs charged to the disability insurance program should be based on the rate approved by the cognizant Federal agency as evidenced by a written agreement.

Condition – We recalculated the indirect cost for this grant using the provisional rate of 41.9% of the grant's total direct salaries and wages, including all fringe benefits, as stated in the latest provisional indirect cost rate agreement dated March 7, 2003. The indirect cost amount should have been $953,668 compared to the indirect cost recorded on the books and records of $902,101.

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

Effect – The recorded indirect cost is understated by $51,567, which did not allow DDS the opportunity to use the money for its other program needs.

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

Recommendation – We recommend that DDS request federal funds consistent with its indirect cost rate agreement and ensure that the base utilized in the computation includes all allowable salaries, wages, and fringe benefits.

Views of Responsible Officials and Planned Corrective Actions – The SSA4513 report for the period ended September 30, 2008 was revised to reflect the correct indirect cost earnings.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-32	U.S. Department of Education Vocational Rehabilitation Grants to States CFDA Number : 84.126 Grant Award Number: H126A080011-08 Grant Award Period: 10/1/07-9/30/09	Cash Management: Funding Technique	Not Determinable

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

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

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

Condition – We reviewed 6 out of the 26 drawdowns made during FY 2008 totaling $4,082,661 noting that all drawdowns sampled were not in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT8DJ015, DT8DJ006, DT8DJ015, DT8CS104, DT8DJ045, and DT8CS111 were made later than required by the CMIA agreement. In addition, the reimbursement requests for RCR Nos. DT8DJ006, DT8DJ015, DT8CS104, and DT8CS111 included expenditures in the amount of $185,123, $4,952, $10,923, and $257,807, respectively, which had not yet been disbursed when the requests for the drawdowns were made.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DDS is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. The methodology that was implemented in 2007 required DDS/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures in SOAR. Copies of the EIS report are distributed to the accountants who review it to determine how much is available to draw on a specific grant. Because of the volume of grants that comprise DDS' budget, 100% adherence to the CMIA for non-personnel services is not feasible. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

Beginning in the latter half of FY 2008, cash requests are being made on Thursdays as opposed to the early part of the week to ensure funds are deposited to the District Treasury account by Friday, to meet the modified average clearance pattern for payroll expenditures.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-33	Social Security Administration Social Security - Disability Insurance CFDA Number : 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/07-9/30/08	Cash Management: Funding Technique	Not Determinable

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

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

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

Condition – We reviewed 2 out of the 24 drawdowns made during FY 2008 totaling $1,417,984 noting that all drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT8DJ008 and DT8CS113 were made later than required by the CMIA agreement. In addition, the reimbursement request for RCR No. DT8CS113 included expenditures in the amount of $84,300 which had not been disbursed when the request for the drawdown was made.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DDS is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. The methodology that was implemented in 2007 required DDS/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures in SOAR. Copies of the EIS report are distributed to the accountants who review it to determine how much is available to draw on a specific grant. Because of the volume of grants that comprise DDS' budget, 100% adherence to the CMIA for non-personnel services is not feasible. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

Beginning in the latter half of FY 2008, cash requests are being made on Thursdays as opposed to the early part of the week to ensure funds are deposited to the District Treasury account by Friday, to meet the modified average clearance pattern for payroll expenditures.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-34	U.S. Department of Education	Eligibility	Not Determinable

Vocational Rehabilitation Grants to States
CFDA Number : 84.126
Grant Award Number: H126A080011-08
Grant Award Period: 10/1/07-9/30/09

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

1. An individual is eligible for Vocational Rehabilitation (VR) services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment (Section 102(a) (1) of the Act (29 USC 722(a) (1))).

2. An individual who is a beneficiary of Social Security Disability Insurance or a recipient of Supplemental Security Income is presumed to be eligible for VR services (provided that the individual intends to achieve an employment outcome consistent with the unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual) unless the State VR Agency can demonstrate by clear and convincing evidence that such individual is incapable of benefiting in terms of an employment outcome from VR services due to the severity of the disability of the individual (Section 102(a)(3) of the Act (29 USC 722(a)(3))).

3. The State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6)).

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

4. The Rehabilitation Services Administration Program Instruction states: Rehabilitation services will be provided in accordance with the Individualized Plan for Employment (IPE) or Individualized Living Plan (ILP). The IPE or ILP will be a written document prepared on forms provided by District of Columbia Rehabilitation Services Administration (DCRSA) and must be designed and implemented to achieve a specific employment or independent living outcome that has been selected by the client consistent with the client's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and exercise of informed choice in selecting:

- The employment or independent living outcome;
- The specific vocational rehabilitation or independent living;
- Services needed to achieve the outcome;
- The entity or entities that will provide the services;

5. The Counselor shall facilitate the implementation of an IPE within 90 days or an ILP within 120 days of the client's eligibility determination or within 90 days of a determination that the client should participate in extended evaluation and review the IPE or ILP at least annually with the client or, as appropriate, with the client's representative, to assess the client's progress in achieving the identified employment or independent living outcome.

Condition – We noted the following:

1. Of the 46 cases tested, eligibility was not evident as follows:
   - In 1 case, the client's rights and responsibilities was not properly signed.
   - In 2 cases, the certification of eligibility was not in the file.
   - In 2 cases, the certification of eligibility was not signed by the Counselor.
   - In 1 case, the date on the certification of eligibility was 2 days earlier than the date the client's rights and responsibilities had been signed.

2. Within the 46 cases tested, where eligibility was evident, we noted that:
   - In 14 cases, eligibility was determined after the 60-day window.
   - In 5 cases, the Individualized Plan for Employment (IPE) was not prepared within the specified 90 days.
   - In 1 case, the IPE was not signed by the Counselor.

3. In addition, certain requested files were not able to be provided.

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

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

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

Recommendation – DCRSA should evaluate the reporting process that flags client applications that are approaching the threshold dates, so that accurate determinations can be made, and the Individualized Plan for Employment can be constructed in a timely manner.

In addition, a properly completed checklist together with the required documentation should be included in each file to ensure that all requirements have been met before service is granted. In all instances, there should be proper documentation kept to validate the status of all eligible recipients.

Views of Responsible Officials and Planned Corrective Actions – The following responses were provided with respect to the conditions noted above:

Condition #1: The agency agrees with the findings.

Condition #2: The agency agrees with the findings.

The DCRSA Deputy Director and Chief of the Vocational Rehabilitation Services Division (VRSD) have implemented the following corrective action measures to address the deficits cited in the FY 2008 audit:

1. Many of the audit exceptions were due to staff's inability to effectively manage caseload activity due to the limited capability of DCRSA's out-dated case management system (CRIS). In July 2009, the agency evaluated several proposals and selected a new system. Implementation Phases I and II will commence during the fourth quarter of FY 2009. The new system will facilitate case management activities and will allow counselors and managers to generate Real-Time reports to monitor and correct potential compliance issues before exceptions occur.

2. Approximately 50% of the direct service employees have less than three years of experience providing VR services to individuals with significant disabilities. To address this concern, DCRSA has hired a highly qualified training consultant with 34 years of client service experience in a state VR agency. Starting in August 2009, the consultant will conduct a series of in-service training sessions with counselors, supervisors, counselor assistants, and staff from the Office of Quality Assurance and Federal Compliance. The sessions will include all areas the VR process with a specific focus on areas of concern noted in this and previous audit and monitoring reports.

3. In May 2009, VRSD discontinued using the former case folders and adopted a new case folder that enhances and better facilitates caseload management and reviews.

4. The structure of the new case folder will facilitate the maintenance and retrieval of documents as well as facilitate the case review process.

5. DCRSA will continue to review cases on a regular basis. In addition to review by the supervisors, a peer review process will be implemented. Staff from the Office of Quality Assurance and Federal Compliance will also conduct specific reviews as indicated.

6. Employees whose cases remain out of compliance will be placed on a monitoring plan and will require increased oversight by front-line supervisors.

Condition #3: Auditors found certain case records were missing eligibility documents. A review of the case management system (CRIS) indicated the cases selected for review were in Referral Status (St. 00) and not in Application Status (St. 02). Due to a programming error, CRIS allowed cases selected for review to be pulled from St. 00. The programming error also allowed cases to be closed in St. 08 prior to an application being completed on the referred individual. The error ultimately resulted in cases being selected and pulled for the review that had been closed prior to completion of the application and the establishment of an official case record. The programming error was corrected during the third quarter of FY 2009.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-35	U.S. Department of Education Vocational Rehabilitation Grants to States CFDA Number : 84.126 Grant Award Number: H126A080011-08 Grant Award Period: 10/1/07-9/30/09	Procurement, Suspension, and Debarment	Not Determinable

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

Condition – In our review of the Vocational Rehabilitation program, we determined that DDS' procurements were not in compliance with some of the OMB Circular A-102 procurement procedures:

- DDS was unable to provide procurement files that documented the methodology and cost analysis used to award contracts to 4 vendors with combined purchase orders amount totaling $432,964.
- There was no evidence of DDS verifying whether 7 vendors sampled had been debarred or suspended from providing services where federal funds are utilized.

Context – This is a condition identified per review of DDS' compliance with specified requirements. We reviewed 22 procurement files totaling $627,806.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DDS could award contracts to vendors whose contract prices are unreasonable. Additionally, DDS could have inadvertently contracted with a vendor that is suspended or debarred from doing business with the Federal government.

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

Recommendation – We recommend DDS document the methodology and cost analyses used to award contracts to all vendors in its procurement files. We also recommend DDS verify whether vendors have been debarred or suspended from working with the Federal government. This verification should also be documented in DDS' procurement files.

Views of Responsible Officials and Planned Corrective Actions – Current DDS procurement procedures are in compliance with the District of Columbia Procurement Practices Act and DC Municipal Regulations, Title 27, as amended. Neither District nor federal procurement regulations require cost analyses for all contracts. All 4 procurements cited were task orders against negotiated contracts or human care agreements that established the rates for the base and option years. The largest amount, $304,455, to Columbia Lighthouse for the Blind is a task order against Human Care Agreement No. DCJA-2006-H-0051-01 awarded in January 2007 for comprehensive independent living training for persons who are blind. We acknowledge that some of the documentation is not in the file which was transferred from the central Office of Contracting and Procurement in October 2007.

DDS' current procedures are consistent with regulatory guidance at Federal Acquisition Regulation Part 13, Section 13.106-3, which states in part:

> (b) *File documentation and retention.* Keep documentation to a minimum. Purchasing offices shall retain data supporting purchases (paper or electronic) to the minimum extent and duration necessary for management review purposes (see Subpart 4.8). The following illustrate the extent to which quotation or offer information should be recorded:
>
> > (1) *Oral solicitations.* The contracting office should establish and maintain records of oral price quotations in order to reflect clearly the propriety of placing the order at the price paid with the supplier concerned. In most cases, this will consist merely of showing the names of the suppliers contacted and the prices and other terms and conditions quoted by each.
> >
> > (2) *Written solicitations* (see 2.101). For acquisitions not exceeding the simplified acquisition threshold, limit written records of solicitations or offers to notes or abstracts to show prices, delivery, references to printed price lists used, the supplier or suppliers contacted, and other pertinent data.

In keeping with the foregoing guidance, paperwork reduction, and initiatives to incorporate best practices for electronic records management, checks for debarment or suspension by federal or District authorities have heretofore not been documented for small purchases, but only when a formal written determination and findings of responsibility is required, consistent with the following guidance as set forth at FAR 9.105-2(a), determinations and documentation:

> (1) The contracting officer's signing of a contract constitutes a determination that the prospective contractor is responsible with respect to that contract. When an offer on which an award would otherwise be made is rejected because the prospective contractor is found to be nonresponsible, the contracting officer shall make, sign, and place in the contract file a determination of nonresponsibility, which shall state the basis for the determination.

Controls are in place in the Office of the Chief Financial Officer, that prevent awards to prospective vendors that owe federal or District taxes or may otherwise be ineligible for contract awards. Checks have been made of all vendors cited in the finding.

Our planned corrective actions consist of the following:

1. The Process Memo and working draft of the DDS Standard Operating Procedures will be updated and finalized by September 30, 2009 to ensure staff is trained and policies are in full compliance with federal and District procurement laws and regulations and that files are properly maintained and retained, electronically for small purchases.

2. To facilitate verification that prospective contractors are not debarred or suspended from federal or District procurements, it is recommended that the CFO SOAR Vendor Administrator incorporate an excluded parties search, in addition the current check for federal tax liens and liabilities, before adding a supplier to the SOAR/PASS vendor table so that small purchases less than $100,000 are not inadvertently made to ineligible suppliers.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-36	Social Security Administration Social Security - Disability Insurance CFDA Number : 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/07-9/30/08	Procurement, Suspension, and Debarment	Not Determinable

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

Condition – In our review of the Social Security - Disability Insurance program, we determined that DDS' procurements were not in compliance with some of the OMB Circular A-102 procurement procedures:

- DDS was unable to provide procurement files that documented the methodology and cost analysis used to award contracts to 2 vendors with combined purchase orders amount totaling $49,301.
- There was no evidence of DDS verifying whether 7 vendors sampled had been debarred or suspended from providing services where federal funds are utilized.

Context – This is a condition identified per review of DDS' compliance with specified requirements. We reviewed 23 procurement files totaling $609,775.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DDS could award contracts to vendors whose contract prices are unreasonable. Additionally, DDS could have inadvertently contracted with a vendor that is suspended or debarred from doing business with the Federal government.

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

Recommendation – We recommend DDS document the methodology and cost analyses used to award contracts to all vendors in its procurement files. We also recommend DDS verify whether vendors have been debarred or suspended from working with the Federal government. This verification should also be documented in DDS' procurement files.

Views of Responsible Officials and Planned Corrective Actions – The two procurements totaling $49,301 were awarded to Pitney Bowes ($35,784) and Metropolitan Office Solutions ($13,517) for commercial office equipment and maintenance services which are on the GSA Federal Supply Schedules for Pitney Bowes and Canon. Cost analysis is not required to establish price reasonableness in either case since as commercial items as defined in FAR 2.101, the prices are based on established catalog or market prices.

The documentation supporting the original acquisitions of the equipment by the Department of Human Services contracting office under PO149659 dated August 12, 2005 and PO170699 dated December 12, 2005, was not available when DDS assumed contracting responsibility as an independent agency in October 2007.

DDS' current procedures are consistent with regulatory guidance at Federal Acquisition Regulation Part 13, Section 13.106-3, which states in part:

> (b) *File documentation and retention.* Keep documentation to a minimum. Purchasing offices shall retain data supporting purchases (paper or electronic) to the minimum extent and duration necessary for management review purposes (see Subpart 4.8). The following illustrate the extent to which quotation or offer information should be recorded:
>
> > (1) *Oral solicitations.* The contracting office should establish and maintain records of oral price quotations in order to reflect clearly the propriety of placing the order at the price paid with the supplier concerned. In most cases, this will consist merely of showing the names of the suppliers contacted and the prices and other terms and conditions quoted by each.
> >
> > (2) *Written solicitations* (see 2.101). For acquisitions not exceeding the simplified acquisition threshold, limit written records of solicitations or offers to notes or abstracts to show prices, delivery, references to printed price lists used, the supplier or suppliers contacted, and other pertinent data.

In keeping with the foregoing guidance, paperwork reduction, and initiatives to incorporate best practices for electronic records management, checks for debarment or suspension by federal or District authorities have heretofore not been documented for small purchases, but only when a formal written determination and findings of responsibility is required, consistent with the following guidance as set forth at FAR 9.105-2(a), determinations and documentation:

> (1) The contracting officer's signing of a contract constitutes a determination that the prospective contractor is responsible with respect to that contract. When an offer on which an award would otherwise be made is rejected because the prospective contractor is found to be nonresponsible, the contracting officer shall make, sign, and place in the contract file a determination of nonresponsibility, which shall state the basis for the determination.

Controls are in place in the Office of the Chief Financial Officer, that prevent awards to prospective vendors that owe federal or District taxes or may otherwise be ineligible for contract awards. Checks have been made of all vendors cited in the finding.

Our planned corrective actions consist of the following:

1. The Process Memo and working draft of the DDS Standard Operating Procedures will be updated and finalized by September 30, 2009 to ensure staff is trained and policies are in full compliance with federal and District procurement laws and regulations and that files are properly maintained and retained, electronically for small purchases.

2. Ensure that documentation is in the official file for purchases above the small purchase threshold that supports the purchase.

3. To facilitate verification that prospective contractors are not debarred or suspended from federal or District procurements, it is recommended that the CFO SOAR Vendor Administrator incorporate an excluded parties search, in addition the current check for federal tax liens and liabilities, before adding a supplier to the SOAR/PASS vendor table so that small purchases less than $100,000 are not inadvertently made to ineligible suppliers.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-37	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2008G9908CS Grant Award Period: 10/1/07-9/30/08	Allowable Costs: Indirect Cost Activities	Not Applicable

Criteria or Specific Requirement – OAG has an approved indirect rate agreement with the Federal government that is allowed as 10% of all direct wages.

Condition – OAG did not properly calculate and record indirect costs in its accounting system of record, SOAR. OAG calculated the indirect costs using the cash basis direct salary and wages expenditures, instead of using the accrual basis salary and wages.

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

Effect – The recorded indirect cost is understated by $28,452, which did not allow OAG the opportunity to use the money for its other program needs.

Cause – Indirect costs were not properly calculated and recorded in SOAR, and consequently not correctly reported on the SEFA, because OAG used an incorrect basis to calculate indirect costs.

Recommendation – We recommend that OAG calculate its indirect costs according to the approved indirect cost rate agreement.

Views of Responsible Officials and Planned Corrective Actions – OAG has historically calculated indirect costs based on cash expenditures only. Going forward, we will implement the recommendation noted.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-38	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2008G9908CS Grant Award Period: 10/1/07-9/30/08	Cash Management	Not Determinable

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

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

Condition – We noted that during FY 2008 OAG made 3 drawdowns totaling approximately $5.7 million for reimbursement against prior year receivables. It appeared that OAG had not drawndown funds in accordance with the funding techniques identified in the CMIA Agreement.

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

Effect – OAG is not in compliance with the provisions of the CMIA agreement.

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

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

Views of Responsible Officials and Planned Corrective Actions – Management believes that drawdowns were done when the funds were available in the Payment Management System. This is a reimbursable grant. We are not able to do a drawdown until we are reimbursed for the prior quarter's expenditures.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-39	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2008G9908CS Grant Award Period: 10/1/07-9/30/08	Procurement, Suspension, and Debarment	Not Determinable

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

Condition – OAG and the Office of Contracting and Procurement (OCP) were not able to provide proper documentation to support that 5 of the 8 procurement files sampled were in accordance with OCP's policies and procedures. We noted the following exceptions.

- In 1 out of the 8 procurement items selected for testing totaling $27,000, there was no documentation to support the history and rationale for the procurement. As a consequence, we were unable to conclude whether this procurement had provided for full and open competition or even whether there was any rationale to limit competition. We were also unable to conclude whether any cost or price analysis had been performed in this instance.

- In 3 out of the 8 procurement items selected for testing totaling $59,444, there was no support to show that OAG had validated that the vendor was not suspended or debarred from providing services where federal funds are utilized.

- In addition, we noted that for 1 of the 8 procurement items selected for testing totaling $32,076, related goods and services had been received without a written contract. This is a violation of both Federal regulations and D.C. Official Code Section 2-301.05 (d) (2). In a letter dated May 19, 2008, the Chief Procurement Officer informed the OAG that the contract was an "improper contract activity" and recommended that it institute a plan of action to prevent this type of contract activity from occurring again. In the same letter, the Chief Procurement Officer ratified the contract since OAG had incurred the obligation to pay for the goods and services.

Context – This is a condition identified per review of OAG's compliance with specified requirements. We reviewed 8 procurement files totaling $8,525,880.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations.

OAG may have inadvertently contracted with or made sub-awards to parties that are suspended or debarred from doing business with the Federal government, as well as awarded contracts to vendors whose contract prices are not in accordance with federal grant provisions. In addition, contracts may be executed to unqualified vendors and OAG could possibly issue procurements without the appropriate funding.

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

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

Views of Responsible Officials and Planned Corrective Actions – Procurements cited in this report were justified, responsibly competed, and carried out in general accordance with the District's DCMR 27, and existing internal policies and procedures. However, OCP failed to provide documentation for some regulations included in OMB Circulars A-133 and A-102.

The procurements cited in the report include:

A) PO246760, a sole source parking procurement for $27,000;
B) PO256830, a non-competitive small purchase for 6 issues of the Journal of Employee Communication Management, valued at $368, and,
C) PO260613, procurement for the Lease of Konica Minolta Copiers, which was received without a contract, valued at $32,076.

The criticisms stated against these procurements are as follows:

1) Procurement A did not have documentation to support the history and rationale for the procurement.
2) Procurements A did not document whether it provided for full and open competition.
3) Procurements A lacked the documentation to support the rationale to limit competition.
4) Procurements A lacked the documentation to support whether a cost and price analysis was performed, and,
5) Procurements A, B, and C lacked the support to show that the vendor was suspended or debarred from working on federal programs.

Contract file for "Procurement A" did include documentation of cost reasonableness, but lacked all other required documentation. Cost analysis is demonstrated in the procurement through a reference to a similar procurement made with the same parking garage from the previous fiscal year, which utilized an identical price structure for these parking spaces. However, the procurement file did not include documentation justifying the procurement as a sole source.

The required, "Determination and Finding" would have demonstrated the rationale for the procurement and documented whether or not the procurement for the parking lot management company provided for full and open competition.

OCP agrees that all cited procurements lacked documentation demonstrating that vendors were not suspended or disbarred from federal programs. OCP staff is now aware of the need to disseminate a list of parties excluded from Federal procurements and will take steps to document this in the future. To achieve this, OCP plans to train procurement staff in how to access the *Excluded Parties List System (EPLS)*, and provide guidance on when the EPLS should be referenced.

OCP agrees that Procurement PO260613, a lease of Konica Minolta Copiers valued at $32,076, was received without a contract, in violation of D.C. Official Code Section 2-301.05 (d)(2). The Chief Procurement Officer (CPO) documented the infraction and approved a Ratification Request on May 19, 2008. Recognizing the problematic nature of accepting a good or service without a contract in place, the CPO issued a directive on March 10, 2009 prohibiting the use of ratifications for unauthorized procurements. Since issuing the directive, the CPO has not approved a single ratification, which demonstrates the efficacy of this approach.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-40	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2008G9908CS Grant Award Period: 10/1/07-9/30/08	Special Tests and Provisions: Provision of Child Support Services for Interstate Initiating 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 upon receipt of all necessary information needed to process the case, refer the case to the responding State's Interstate central registry for action.

Condition – The IV-D agency for initiating cases did not refer 2 out of 23 cases selected by us for testing, to the responding State's Interstate central registry for action within the specified 20 calendar days of determining that the non-custodial parent is in another State.

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

Effect – OAG is not in compliance with the requirements specified by the OMB Circular A-133 Compliance Supplement related to child support services.

Cause – It appears that there was a lack of timely review to ensure that the requirements were being met.

Recommendation – We recommend that OAG should restructure or reorganize the current process for its enforcement unit. Additionally, such requirements should be closely monitored and reviewed to avoid future recurrence. It is also essential to retain all documentation related to the enforcement actions that have been taken.

Views of Responsible Officials and Planned Corrective Actions – The Agency agrees that the case processing in the Interstate Unit needs to be revamped. As such, the Agency has been developing this reorganization plan throughout the current fiscal year. The effects of this reorganization will be seen first in FY 2010. There is an action plan currently ready for implementation.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-41	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2008G9908CS Grant Award Period: 10/1/07-9/30/08	Special Tests and Provisions: Provision of Child Support Services for Interstate Responding Cases	Not Determinable

Criteria or Specific Requirement – According to 45 CFR 303.7, within 10 working days of receipt of an interstate IV-D case from an initiating State, the responding state must:

- Ensure that the documentation submitted with the case has been reviewed to determine completeness.
- Forward the case for necessary action either for location services or to the appropriate agency for processing.
- Acknowledge receipt of the case and ensure that any missing documentation has been requested from the initiating state.
- Inform the IV-D agency in the initiating state where the case was sent for action.
- If the documentation received with a case is inadequate and cannot be remedied by the responding State without the assistance of the initiating State, the responding State must forward the case for any necessary action by the initiating State.

The IV-D agency responsible for responding cases must also provide location services within 75 calendar days of receipt of the Interstate Child Support Enforcement Transmittal Form if the request is for location services. The IV-D agency must notify the initiating State within 10 calendar days of locating the non-custodial parent.

The responding State must respond to inquiries from other States within 5 working days of receipt of the request for a case status review.

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

- In 2 out of 23 samples of responding cases selected for the testing, OAG did not respond to inquiries from other States within 5 working days of receipt of the request for a case status review.
- In 1 out 23 samples of responding cases selected for the testing, OAG did not provide location services as required within 75 days of receipt of interstate Child Support Enforcement Transmittal Form for further actions. OAG, however, did review and acknowledge the receipt of the interstate case within 10 working days.

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

Effect – These issues caused delays with subsequent enforcement action(s) and led to violation of the specified requirements.

Cause – Interstate responding case files are not reviewed timely and filed by the Interstate Unit of the OAG Child Support Service Division (CSSD).

Recommendation – We recommend that the OAG – CSSD deliver case files to the Interstate unit as soon as the notice is received from the initiating State and that the Interstate Unit should date-stamp the case files when the case files arrive at the unit. This will help in creating accountability and in identifying where the delay is occurring. Moreover, OAG should ensure that all interstate cases are properly reviewed and processed in accordance with the required time frames.

Views of Responsible Officials and Planned Corrective Actions – The Agency agrees that the case processing in the Interstate Unit needs to be revamped. As such, the Agency has been developing a reorganization plan throughout the current fiscal year. The effects of this reorganization will be seen first in FY 2010. An action plan has been drafted to address this.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-42	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2008G9908CS Grant Award Period: 10/1/07-9/30/08	Special Tests and Provisions: Enforcement of Support Obligations	Not Determinable

Criteria or Specific Requirement – The State IV-D agencies must initiate any required enforcement action, unless service of process is necessary, within 30 calendar days of identification of the delinquency or other support-related noncompliance, or on locating the absent parent, whichever occurs later. If income withholding is determined to be the appropriate action, then 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 alternative enforcement action if income withholding is not deemed to be the appropriate action or is unsuccessful. The IV-D agency must document any unsuccessful service of process attempts.

Condition – During our testing, we found no evidence that the IV-D agency had taken the required enforcement action within the specified time period in 2 out of 45 cases selected.

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

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

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

Recommendation – We recommend that the OAG should restructure or reorganize the current process related to enforcement actions by its enforcement unit. Additionally, such requirements should be closely monitored and reviewed to avoid future recurrence. It is also essential to retain all documentation related to the enforcement actions that have been taken.

Views of Responsible Officials and Planned Corrective Actions – The Agency notes that the two cases that were found to be out-of-compliance are Interstate Responding cases. While the Agency is required to provide the same enforcement services for a Responding case as it does for a Local case, functionally Interstate and Local cases are handled by two different business units. The Agency believes that the reorganization planned for the Interstate Unit will address the enforcement findings as well, since none of the findings were in cases handled by the already-reorganized enforcement unit. There is a detailed Action Plan available related to redesigning the Interstate Unit.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-43	U.S. Department of Health and Human Services Head Start (Direct and Pass-through Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/21, 03CH0233/22 Grant Award Period: 9/1/06-8/31/08, 9/1/08-8/31/09	Allowable Costs: Payroll Activities	$188,314

Criteria or Specific Requirement – OMB Circular A-87 Cost Principles state that amounts charged to federal programs must be adequately supported and documented to be considered as allowable costs under the programs. More specifically, the Circular states that where employees are expected to work solely on a single federal award or cost objective, charges for 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 semi-annually and must be signed by the employee or supervisory official having first 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 – DCPS was not consistent in the application of OMB Circular A-87 Cost Principles or its internal policies with regard to payroll expenditures.

With respect to pass-through funding and the related disbursements:

- DCPS was unable to provide timesheets to reflect that the amount charged was properly authorized for 10 of the 38 timesheets selected for testing.
- DCPS was unable to provide evidence that proper time and effort certifications had been submitted as required for 2 of the 38 items selected for testing.
- The payroll expenditure of the selected employee did not agree to the employee's data in the personnel file for 12 of the 38 items selected for testing.
- DCPS was unable to provide evidence that the time charged per the timesheets agreed to the payroll expenditure for 8 of the 38 timesheets selected for testing.

With respect to direct funding and the related disbursements:

- DCPS was unable to provide evidence that proper time and effort certifications had been submitted for 5 of the 37 items selected for testing.
- DCPS was unable to provide evidence that the time and effort certifications had been approved by an individual who had the requisite training required to be able to approve these, for 3 of 37 items selected for testing.
- It was noted that for 1 out of 37 items, the employee had approved his own timesheet.

Context – This is a condition identified per review of DCPS' compliance with specified requirements. The total amount related to the timesheets that DCPS was unable to provide, the time and effort certifications that DCPS was unable to provide, the 12 instances where there was inconsistency between the employee's personnel data and the amount charged to the SEFA, and instances of inconsistency between time charged on the timesheet and the SEFA was $157,884, for the pass-through grant's payroll expenditures.

The total amount related to the unavailable time sheets and unavailable time and effort certifications related to the direct grant payroll expenditures was $30,430.

We sampled a total of $858,237 and $4,161,682 for pass-through and direct grant payroll expenditures, respectively. The total pass-through and direct grant payroll expenditures for FY 2008 were $2,673,614 and $5,283,819, respectively.

Effect – Because of the absence of appropriate documentation, we were unable to confirm the allowability or validity of amounts claimed as federal expenditures. Furthermore, the lack of authorization of expenditure may lead to expenses being incurred which are not allowed under the conditions of federal awards. The absence of review of allocations could lead to amounts being incorrectly allocated to federal awards.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention policy. In addition, though DCPS has a policy in place requiring the preparation of semi-annual certifications by the different grant programs, it appears that the policy is not being enforced. The DCPS Human Resource Department does not appear to have adequate processes and procedures in place to ensure that personnel files are updated timely and accurately and include all of the required documentation.

Recommendation – DCPS should review its controls to ensure that adequate supporting documentation is maintained for all expenditures incurred with federal awards. DCPS also needs to implement proper review procedures over its expenditures.

It is recommended that DCPS develop a central tracking system for the semi-annual certifications. The tracking system should include some written form of communication from program managers that acknowledges that they have prepared the required semi-annual certifications.

It is also recommended that DCPS reevaluate the policies and procedures that are in place in its Human Resources Department to determine the necessary changes required to ensure all personnel files are updated and include all the required documents.

Views of Responsible Officials and Planned Corrective Actions – DCPS does maintain adequate documentation for expenditures incurred related to federal awards. We do however acknowledge that we need to revise and update the document retention policy to ensure that items are readily available for review. DCPS concurs that some of the original certifications were not readily available for review as evidenced by the after the fact certifications provided. We will review and revise the current tracking system for semi-annual certifications and ensure that original documents are appropriately retained and available for review.

DCPS is currently evaluating its internal policies and procedures to address the recent PeopleSoft conversion. As part of this process, the HR team will work to identify and streamline workflow processes to ensure a more efficient and effective process.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-44	U.S. Department of Health and Human Services Head Start (Direct and Pass-through Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/21, 03CH0233/22 Grant Award Period: 9/1/06-8/31/08, 9/1/08-8/31/09	Allowable Costs: Indirect Cost Activities	$118,788

Criteria or Specific Requirement – OMB Circular No. A-87 Attachment E states that due to the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as indirect costs cannot be specified in all situations. However, typical examples of indirect costs may include certain: a) state/local-wide central service costs; b) general administration of the grantee department or agency; c) accounting and personnel services performed within the grantee department or agency; d) depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, etc.

Further, OMB Circular No. A-87 Attachment C indicates that each State will submit a cost allocation plan to its oversight agency for each year in which it claims central service costs under Federal awards. The plan should include (a) a projection of the next year's allocated central service cost (based either on actual costs for the most recently completed year or the budget projection for the coming year), and (b) a reconciliation of actual allocated central service costs to the estimated costs used for either the most recently completed year or the year immediately preceding the most recently completed year.

Condition – In June 2008, the Office of Budget and Planning (OBP) communicated to DCPS that the central services cost allocation (indirect costs related to the District's central services), for the Head Start grant for FY 2008 was $118,788. We noted that DCPS charged this amount as direct Head Start grant expenditure for FY 2008, and reported the same on the Schedule of Expenditures of Federal Awards (SEFA) instead of including this amount in a plan for submission to the federal authority for approval of an indirect cost rate.

The central services cost relates to prior year central services and is to be used only for rate determination purposes. It is not a federal expenditure of the current year.

Context – This is a condition identified per review of DCPS' indirect cost recovery calculation as allowed by the applicable OMB Circulars.

Effect – Indirect costs were incorrectly charged through as direct costs of the federal grant thereby overstating direct expenditures and the related reimbursement.

Cause – DCPS does not appear to have a process in place to ensure that prior indirect costs are pooled and used only for rate determination purposes.

Recommendation – We recommend that DCPS should institute procedures to ensure costs are properly charged/recorded in compliance with federal regulations and take all necessary steps to refund any amounts due back to the federal grantor.

Views of Responsible Officials and Planned Corrective Actions – DCPS concurs that central services cost allocation should not be charged as a direct expenditure. The central service costs allocation plan is reviewed annually by the appropriate federal oversight agency.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-45	U.S. Department of Health and Human Services Head Start (Direct and Pass-through Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/21, 03CH0233/22 Grant Award Period: 9/1/06-8/31/08, 9/1/08-8/31/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between DCPS and the U.S. Department of Treasury requires that established funding techniques must be complied with, when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Head Start grant relating to the drawdown of funds:

- Reimbursement of payroll expenditures requires the use of the average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Administrative costs require the use of the fixed administrative allowance funding technique and a clearance pattern of 5 days.

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

Condition – We reviewed 10 out of 14 drawdowns made during FY 2008 totaling $5,421,582 and noted that 9 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

Lastly, the reimbursement request for one transaction did not agree with the actual amount of the expenditure.

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

Effect – DCPS is not in compliance with the provisions of the CMIA agreement. DCPS' 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 – DCPS 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 DCPS comply with the provisions of the CMIA agreement and request federal funds consistent with the funding techniques specified in the CMIA agreement and its actual cash needs. We also recommend that DCPS develop written procedures for its drawdown process which should be adhered to consistently.

Views of Responsible Officials and Planned Corrective Actions – DCPS concurs that we did not request funding in accordance with the provisions of the CMIA agreement and drew down funds in advance of the actual cash disbursement. We note, however, that funding requests were performed on a consistent periodic basis. We will endeavor to align our policy with the CMIA agreement and request federal funds consistent with the funding technique specified in the CMIA agreement and our actual needs. We have revised our drawdown policy to reflect drawdown against cash expenditures only, unless the award is scheduled to end. In instances where awards are scheduled to end, we will include the final accrued expenditures to ensure accurate financial reporting.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-46	U.S. Department of Health and Human Services Head Start (Direct and Pass-through Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/21, 03CH0233/22 Grant Award Period: 9/1/06-8/31/08, 9/1/08-8/31/09	Cash Management: Drawdown of Funds	Not Determinable

Criteria or Specific Requirement – Pursuant to A-102 Common Rule and 31 Code of Federal Regulation (CFR) Part 205, cash drawdown requests for federal funds must be supported and proper documentation maintained. It is also required that the amount of reimbursement request should be closely matched to the amount of the actual disbursement.

Condition – DCPS made 12 drawdown requests totaling $5,675,467 during FY 2008. We selected 10 samples totaling $5,421,582. We noted that for 5 items, there was no evidence whether the drawdown requests (including expense documentation supporting the request) had been reviewed by an authorized official prior to the cash drawdown request being submitted.

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

Effect – The drawdowns may have not been requested for DCPS' immediate needs. This led to noncompliance with the specified requirements.

Cause – DCPS did not appear to have a process in place to ensure all requests are reviewed prior to submission and that the requests were in compliance with the grant terms and conditions.

Recommendation – We recommend that DCPS ensure management review of all drawdown requests prior to submission and that these requests accurately reflect the related expenditures.

Views of Responsible Officials and Planned Corrective Actions – We concur that drawdown requests lacked evidence of review by an authorized person prior to the cash drawdown. Management will revise current grant drawdown procedures to require written evidence of review prior to drawdown. We will strengthen the use of our monthly variance reports to monitor expenses and ensure liquidation of obligations within 90 days after the end of the grant period.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-47	U.S. Department of Health and Human Services	Eligibility	Not Determinable

Head Start (Direct and Pass-through Funding)
CFDA Number: 93.600
Grant Award Number: 03CH0233/21, 03CH0233/22
Grant Award Period: 9/1/06-8/31/08, 9/1/08-8/31/09

Criteria or Specific Requirement – The Head Start program is for children from birth up to the age when the child enters the school system. Head Start programs only serve pre-school age children. (i.e. children three or four years old). For grantees other than Indian tribes/tribal organizations, at least 90 percent of the enrollees must come from families whose income is below the official Federal poverty guidelines or who are receiving public assistance (income-eligible). Up to 10 percent of the children who are enrolled may be from families that are not income-eligible (45 CFR section 1305.4). The family income must be verified by the Head Start grantee before determining that a child is income-eligible. Although copies of income verification documents need not be retained by grantees, the child or family record must include a statement, signed by an employee of the grantee (Head Start program), identifying which income verification document was examined and stating that the child is income-eligible. In addition, to be eligible for enrollment in the Head Start program, the child must be a District of Columbia resident.

Condition – During our review, the following exceptions were noted:

- For 2 out of 88 samples, DCPS was unable to provide the participant's birth certificate. As a result, we were unable to verify the age of the child to determine whether the age eligibility requirement was met.
- For 1 out of 88 samples, we noted that the income verification form included information showing that the participant's family income was below the official Federal poverty guideline and therefore the participant appeared to be qualified. However, the form was not signed by a DCPS Head Start program employee.
- For 3 out of 88 samples, the D.C. Residency Verification form was not completely filled out. The forms included information on parent or caregiver of participant (i.e. name, social security number, address, etc) in full. However, the forms were not completed to show which information/documentation had been reviewed to verify residency. In addition, one of the forms was not signed by a DCPS employee.
- For 1 out of 88 samples, we were unable to verify eligibility since the file was not available for review.

It was also noted that there is no formal documentation stating which schools are served using the Head Start direct funding and which ones are served using the pass-through funding.

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

Effect – Based on income, age, or residency status, participants could be receiving benefits that they are not entitled to receive under the program.

Cause – It appears that the policies and procedures related to determination of eligibility, which are required to be properly maintained in the participant/enrollee's file, were not functioning as intended.

Recommendation – We recommend that DCPS should implement policies and procedures to ensure that proper documentation verifying an enrollee's eligibility is reviewed and retained in the participant's file and that participants' files are properly maintained. Head start should also have formal documentation stating which schools are served under direct grant and which ones under delegate grant.

Views of Responsible Officials and Planned Corrective Actions – Under the direction of the new Director of Early Childhood Education, DCPS' Office of Head Start Programs will conduct a self assessment to determine the program's overall level of efficiency and effectiveness. The self-assessment will include but is not limited to a review of internal policies and procedures to ensure compliance with the various federal regulations, clarification roles and responsibilities, on-going staff training, and if needed a re-alignment of the organizational structure. DCPS will also work to identify areas where implementing and expanding the use of technology would lead to increased efficiency and would reduce instances of possible human error.

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Government of the District of Columbia

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

No.	Program	Findings/Noncompliance	Questioned Costs
2008-48			

This finding # was not used.

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Government of the District of Columbia

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

No.	Program	Findings/Noncompliance	Questioned Costs
2008-49			

This finding # was not used.

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Government of the District of Columbia

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

No.	Program	Findings/Noncompliance	Questioned Costs
2008-50			

This finding # was not used.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-51	U.S. Department of Health and Human Services Head Start (Direct and Pass-through Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/21, 03CH0233/22 Grant Award Period: 9/1/06-8/31/08, 9/1/08-8/31/09	Procurement, Suspension, and Debarment	Not Determinable

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

In addition, effective April 2007, DCPS issued a directive policy on procurement that requires a determination letter to be made, showing reasonableness of price in making the procurement award.

Condition – Our review of the procurement's office compliance with federal and District government regulations of 16 procurements selected for testing disclosed the following:

- For 1 out of 8 Head Start procurement samples selected for testing, DCPS was unable to provide evidence that the determination of reasonable price and award was reviewed by an authorized official.
- For 1 out of 8 UPO procurement samples selected for testing, DCPS was unable to provide evidence that the determination of reasonable price and award was reviewed by an authorized official.

Context – This is a condition identified per review of DCPS' compliance with specified requirements. We reviewed 8 procurements files totaling $239,295.

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

Cause – DCPS did not adhere to the required policies and procedures to ensure that it complied with the appropriate documentation requirements.

Recommendation – We recommend that the DCPS' procurement department properly document in the contract files its compliance with all federal and District regulations and its own internal control policies and procedures.

Views of Responsible Officials and Planned Corrective Actions – DCPS' Office of Contracts and Acquisition (OCA) does maintain documentation in its contract files related to the compliance requirements with federal and District regulations, and its own internal policies and procedures as evidenced by 14 of the 16 procurement files reviewed by the auditors. Although the required authorizing signatures were not evident in 2 instances, we do not believe the services rendered as questionable, unreasonable, or inappropriate. DCPS' Office of Contracts and Acquisition will continue to make sure its staff understands the importance of obtaining and documenting the required authorizing signatures in all contract files.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-52	U.S. Department of Health and Human Services	Reporting	Not Determinable

Head Start (Pass-through Funding)
CFDA Number: 93.600
Grant Award Number: Delegate Agency UPO
Agreement No. 050807 dated October 3, 2007

Criteria or Specific Requirement – DCPS is required to submit various progress reports to the Executive Deputy Officer for preschool and day care, in accordance with the Head Start Delegate Agency Agreement with the United Planning Organization (UPO).

Per review of the UPO agreement, the following reports are required to be submitted by DCPS to UPO:

- Monthly Program Information Report Summary required to be submitted on the 5th day of each month.
- Quarterly Narrative Progress Report required quarterly on the 10th day of each month following the end of the quarter.
- Quarterly Quality Training Plan Update required on the 10th day of each month following the end of the quarter.
- Quarterly Center by Center class listing noting name, address, age, whether disabled, and noting status of parents (whether working or in training).
- Monthly Quality Improvement Plan (QIP) Tracking Report required on the 5th day of each month after self assessment findings have been determined.
- Enrollment/Attendance Report required to be submitted on the 5th day of each month.
- Disabilities Report required to be submitted on the 5th day of each month.
- A certified requisition for payment of expenses for the prior month, no later than the 15th business day of each month.
- Final Written Report, which includes an analysis of accomplishments and problems encountered, due no later than July 31, 2008.

Further, the Head Start Delegate Agency Agreement with UPO states that upon termination or close-out of the agreement, DCPS shall provide an accounting of funds received, expended, and expenses incurred and accrued, obligated, and remaining under the Agreement to the UPO financial officer and promptly pay all outstanding obligations. DCPS is required to liquidate all obligations incurred under this Agreement no later than 45 days after the end of the operating period. In addition, within 45 days after the termination of the Agreement, DCPS shall submit all financial, performance, and other reports required as a condition of the Agreement. The UPO financial officer may extend the deadline upon request by DCPS.

Condition – DCPS was unable to provide many of the reports required to be submitted to UPO; the following was noted:

- With respect to the Monthly Program Information Report Summary, only the August and September 2008 reports were available and with respect to the Quarterly Narrative Progress and Disabilities reports, only an annual update was available. In addition, we were unable to verify whether the reports had been reviewed or approved by a DCPS authorizing official since there was no signature of reviewer/approver on the reports provided for our review.
- The Quarterly Quality Training Plan Update reports were not prepared and submitted on a quarterly basis. Only an annual report was submitted.
- Only 1 of the monthly QIP Tracking reports was available. It did not appear that the report had been submitted timely and that the report had been reviewed or approved by an authorized DCPS official.
- Only 1 annual Center by Center class listing was provided. We were unable to verify whether the report was submitted timely and whether the report had been reviewed or approved by an authorized DCPS official.
- The Monthly Enrollment/Attendance Report was provided for only August and September 2008. Based on these reports, Head Start did not appear to meet the enrollment requirement of 701 eligible Head Start children, ages 3 to 5 years old and 8 eligible Early Head Start children, ages 0 to 3 years old and monthly attendance of 85%.
- Final written report was not available.

In addition, we were unable to verify whether certain reports required to be submitted by DCPS to UPO as part of the close out procedures were actually submitted to UPO since DCPS was unable to provide these reports for our review.

We also noted that DCPS did not submit monthly reimbursement request to UPO as required by the agreement. Only one reimbursement request was submitted to UPO for all of the FY 2008 expenditures.

Context – This is a condition identified per review of DCPS' compliance with specified financial reporting requirements under the UPO Delegate Agreement.

Effect – Failure to submit the required reports on time could result in suspension or termination of funding and result in non-compliance with the requirements of the grant. Failure to correctly maintain accurate records could result in disallowed costs.

Cause – It appears that policies and procedures, including review over reporting procedures, were not functioning as intended. It further appears that accounting and review procedures over information recording did not appear to be functioning as intended.

Recommendation – DCPS should establish policies and procedures to ensure that reports are submitted on a timely basis to the governing agency, and a copy of the report should also be maintained as required by OMB Circular A-102 Common Rule.

In order to accomplish this, DCPS should establish and implement proper recording, reconciliation, and review procedures over the federal reporting requirements to ensure that there is consistency between the accounting system and the reports that are submitted.

Views of Responsible Officials and Planned Corrective Actions – Under the direction of the new Director of Early Childhood Education, DCPS' Office of Head Start Programs will conduct a self assessment to determine the program's overall level of efficiency and effectiveness. DCPS' Office of Head Start Programs will work closely with the DCPS' Office of the General Counsel (OGC) and United Planning Organization (UPO) to review and make the appropriate modifications to the United Planning Organization (UPO) contract to ensure reporting requirements are addressed.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-53	U.S. Department of Health and Human Services	Reporting	Not Determinable

Head Start (Direct and Pass-through Funding)
CFDA Number: 93.600
Grant Award Number: 03CH0233/21, 03CH0233/22
Grant Award Period: 9/1/06-8/31/08, 9/1/08-8/31/09

Criteria or Specific Requirement – Reports for federal awards should include all activity of the reporting period and should be supported by applicable accounting or performance records and should be fairly presented in accordance with program requirements.

Condition – During our review, we noted that the federal expenditure amount reported per the final SF-269 report for the period ended August 31, 2008 exceeded the amount reported on the Schedule of Expenditures of Federal Awards (SEFA) by $156,535. In addition, DCPS was unable to provide support from the general ledger for the amount reported on the form SF-269.

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

Effect – Inaccurate information may have been reported to the Federal government with regards to the Head Start program's financial status.

Cause – It appears that controls related to review over the reporting process were not functioning as intended.

Recommendation – We recommend that DCPS should establish proper review procedures of the reports submitted to ensure that the reports are accurate, are free of mathematical errors, and agree to the underlying accounting records. DCPS should consider adjusting future SF-269 reports for the error noted above.

Views of Responsible Officials and Planned Corrective Actions – The SF269 report for the subsequent period was modified to properly reflect the total federal fiscal year grant expenditures. Financial reports will be reconciled to the general ledger and reviewed by a Supervisor, as evidenced by signature, to ensure reports are accurate and free of mathematical error.

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Government of the District of Columbia

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

No.	Program	Findings/Noncompliance	Questioned Costs
2008-54			

This finding # was not used.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-55	U.S. Department of Health and Human Services	Subrecipient Monitoring	Not Determinable

Head Start (Pass-through Funding)
CFDA Number: 93.600
Grant Award Number: Delegate Agency UPO
Agreement No. 050807 dated October 3, 2007

Criteria or Specific Requirement – In accordance with the sub-grant agreement between United Planning Organization (UPO) and DCPS for the Head Start program, DCPS awarded a sub-grant to an organization named Spanish Education Development Center (SED or sub-grantee). The sub-grantee is required to submit monthly activity reports by the 10th workday of the following month to DCPS. The monthly report is required to include financial information as well as narrate the progress and problems in implementing the approved Head Start program. The sub-grant agreement also indicates that the award is based on the sub-grantee providing the following:

- Enroll and provide comprehensive child care services to 40 eligible three and four year old children in collaboration with the DCPS Head Start Program.
- Provide a minimum of 10% of the total enrollment opportunities available to children with diagnosed disabilities.
- Maintain an average daily attendance rate of at least 85%.
- Meet or exceed the District's Child Care Regulations and Head Start Performance Standards including Adult:Child ratios, Class sizes, Staff qualifications, and Space requirements.
- Provide access to data and family information required for provision of comprehensive services and completion of mandated DHHS reporting requirements.

In addition, the agreement states that quarterly report summaries will have to be submitted in October, January, April, and July of each school year during which funding is received. The agreement also states that DCPS is responsible for monitoring funding for program implementation. DCPS is to conduct on-site reviews on a quarterly basis. Further the sub-grantee is required to match 25%, or $29,500, of the sub-grantee award, which is $118,000.

Condition – During our testing, we noted the following:

- Monthly activities reports required to be submitted on the 10th workday of the following month were only submitted quarterly.
- DCPS did not verify/receive the following information from its sub-grantee:
  - Whether the enrollment and required comprehensive child care services to 40 eligible three and four year old children were being provided or not.
  - Whether a minimum of 10% of the total enrollment opportunities were being made available to children with diagnosed disabilities.

- Whether access to data and family information required for the provision of comprehensive services and completion of mandated DHHS reporting requirements were being provided or not.
- DCPS was unable to provide evidence as to whether quarterly report summaries were submitted timely by its sub-grantee.
- We were unable to determine whether the monthly monitoring activities for October 2007, December 2007, February 2008, March 2008, May 2008, June 2008, July 2008, August 2008, and September 2008 were performed since DCPS was unable to provide the monitoring site-visit checklist for these months.
- DCPS was unable to provide support to verify that its sub-grantee had met the matching requirement.

Context – This is a condition identified per review of the specified requirements under the sub-grant agreement with the Spanish Education Development Center.

Effect – The subrecipient may be carrying out activities in violation of the subrecipient agreement.

Cause – It appears that policies and procedures designed to ensure that reports from the subrecipient are received and reviewed were not functioning as intended. In addition, it appears that DCPS did not perform monitoring activities as required to ensure that the sub-grantee is in compliance with agreement requirements.

Recommendation – DCPS should establish policies and procedures to ensure that reports are received timely from the sub-grantee and a copy of the report should also be maintained as required. DCPS should also ensure that an adequate review is conducted to verify relevance and accuracy of the information.

Views of Responsible Officials and Planned Corrective Actions – Under the direction of the new Director of Early Childhood Education, DCPS' Office of Head Start Programs will conduct a self assessment to determine the program's overall level of efficiency and effectiveness. This self assessment will include a review of the sub-grantee Spanish Educational Development Center (SED). DCPS' Office of Head Start will work closely with SED Center, United Planning Organization (UPO), the Office of the State Superintendent of Education (OSSE), and the DCPS' Office of the General Counsel (OGC) to modify the existing sub-grantee contract to ensure it is consistent and satisfies the reporting and federal monitoring requirements.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-56	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number: 93.658 Grant Award Number: 0801DC1401 Grant Award Period: 10/01/07-09/30/08	Allowable Costs: Cost Allocation Plan	$24,087

Criteria or Specific Requirement – The Federal government directed CFSA to not claim any training costs until it either modifies its cost allocation plan or is able to allocate training costs to its programs in accordance with the approved cost allocation plan.

Condition – CFSA did not exclude the appropriate amount of training payroll costs from its third quarter payroll pooled costs allocated to the Foster Care program. CFSA only excluded training payroll costs of $188,972 instead of excluding the required $560,446.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. The total amount of CFSA's payroll cost pool that was allocable to the Foster Care program in FY 2008 was $17,220,555.

Effect – The exclusion of the incorrect amount of training payroll costs resulted in CFSA's personnel pooled costs to be overstated by $371,474 for the third quarter reporting period. Consequently, in accordance with the cost allocation plan formula, the payroll costs allocated to the Foster Care program were overstated by $24,087.

Cause – CFSA incorrectly deducted the training non-payroll costs rather than the training payroll costs from its third quarter personnel pooled costs.

Recommendation – We recommend CFSA have more than one person review its agency pooled cost allocations to ensure that the allocations are accurate. We also recommend CFSA revise its future cost allocations for the overstatement identified above.

Views of Responsible Officials and Planned Corrective Actions – The preparer made a mathematical/transcription error resulting in inappropriate treatment of a portion of "Training" costs. CFSA will correct this error in "Prior Quarter Adjustments" to the effected Quarter in its 4thQ, FY09 IV-E claim submission. In addition, a member of the Agency Fiscal Officer's staff will be reviewing the calculation of the IV-E Administrative claim.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-57	U.S. Department of Health and Human Services Adoption Assistance CFDA Number: 93.659 Grant Award Number: 0801DC1407 Grant Award Period: 10/01/07-09/30/08	Allowable Costs: Cost Allocation Plan	$10,965

Criteria or Specific Requirement – The Federal government directed CFSA to not claim any training costs until it either modifies its cost allocation plan or is able to allocate training costs to its programs in accordance with the approved cost allocation plan.

Under CFSA's cost allocation plan, divisional costs are to be allocated to lower tier units based on those units' number of budgeted full-time employees.

Condition – CFSA did not exclude the appropriate amount of training payroll costs from its third quarter payroll pooled costs allocated to the Adoption Assistance program. CFSA only excluded training payroll costs of $188,972 instead of excluding the required $560,446.

Additionally, during the first quarter cost allocations, the training and information systems (SACWIS) and training costs should have been allocated an additional $44,239 and $39,630, respectively in divisional costs.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. The total amount of CFSA's payroll cost pool that was allocable to the Adoption Assistance program in FY 2008 was $14,580,873. The total amount of allocable SACWIS and training costs for FY 2008 was $1,671,809 and $685,553, respectively.

Effect –The exclusion of the incorrect amount of training payroll costs resulted in CFSA's personnel pooled costs to be overstated by $371,474 for the third quarter reporting period. Consequently, in accordance with the cost allocation plan formula, payroll costs allocated to the Adoption Assistance program were overstated by $8,828.

The understatement in CFSA's SACWIS and training costs, which are reported separately, resulted in the Agency's final pooled payroll and non-payroll costs to be overstated by $24,665 and $58,203, respectively. In accordance with the cost allocation plan, this resulted in the payroll and non-payroll costs allocated to the Adoption Assistance program to be overstated by $2,137.

Cause – CFSA incorrectly deducted the training non-payroll costs rather than the training payroll costs from its third quarter personnel pooled costs. Additionally, CFSA mistakenly did not allocate certain costs to SACWIS and training costs.

Recommendation – We recommend CFSA have more than one person review its agency pooled cost allocations to ensure that the allocations are accurate. We also recommend CFSA revise its future cost allocations for the overstatement identified above.

Views of Responsible Officials and Planned Corrective Actions – The referenced error is the same as that indicated under Foster Care finding. The preparer made a mathematical/transcription error resulting in inappropriate treatment of a portion of "Training" costs.

CFSA will correct this error in "Prior Quarter Adjustments" to the effected Quarter in its 4thQ, FY09 IV-E claim submission. In addition, a member of the Agency Fiscal Officer's staff will be reviewing the calculation of the IV-E Administrative claim.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-58	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number: 93.658 Grant Award Number: 0801DC1401 Grant Award Period: 10/01/07-09/30/08	Cash Management: Funding Technique	Not Determinable

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

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – CFSA made 5 drawdown requests in FY 2008 totaling $12,036,499. None of the 5 drawdown requests complied with the funding techniques and clearance patterns required under the CMIA agreement.

Context – This is a condition identified per review of CFSA's compliance with the provisions of the CMIA agreement.

Effect – CFSA 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 needs is unnecessarily delayed when funds are not requested timely.

Cause – CFSA 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 CFSA 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 – Effective in January 2009, the Treasury State Agreement was amended to change the funding techniques and clearance patterns for CFSA for this program. The Agency believes that its practices conform to the requirements of the revised agreement.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-59	U.S. Department of Health and Human Services Adoption Assistance CFDA Number: 93.659 Grant Award Number: 0801DC1407 Grant Award Period: 10/01/07-09/30/08	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement –The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Adoption Assistance program for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – CFSA made 5 drawdown requests in FY 2008 totaling $10,120,735. None of the 5 drawdown requests complied with the funding techniques and clearance patterns required under the CMIA agreement.

Context – This is a condition identified per review of CFSA's compliance with the provisions of the CMIA agreement.

Effect – CFSA 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 needs is unnecessarily delayed when funds are not requested timely.

Cause – CFSA 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 CFSA 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 – Effective in January 2009, the Treasury State Agreement was amended to change the funding techniques and clearance patterns for CFSA for this program. The Agency believes that its practices conform to the requirements of the revised agreement.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-60	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number: 93.658 Grant Award Number: 0801DC1401 Grant Award Period: 10/01/07-09/30/08	Eligibility	Not Determinable

Criteria or Specific Requirement – Foster Care benefits may be paid on behalf of a child if the following requirements are met:

- For a child who entered foster care before March 27, 2000, the judicial determination of reasonable efforts to finalize the permanency plan must be made no later than March 27, 2001, because such child will have been in care for 12 months or longer (January 25, 2000, *Federal Register,* Vol. 65, Num 16, pages 4020 and 4088).
- The provider, whether a foster family home or a child-care institution, must be fully licensed by the proper State Foster Care licensing authority.
- The foster family home provider must satisfactorily have met a criminal records check, including a fingerprint-based check, with respect to prospective foster and adoptive parents (42 USC 671(a)(20)(A)).
- The foster family home provider must satisfactorily have met a child abuse and neglect registry check with respect to prospective foster and adoptive parents and any other adult living in the home who has resided in the provider home in the preceding 5 years.
- 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 – During our testing of a sample of 39 eligibility case files, we identified the following instances of noncompliance:

- 6 claims did not provide evidence of a valid foster care provider license for the period of service tested.
- 9 claims did not provide evidence of a criminal background check for the period of service tested.
- 9 claims did not provide evidence of a child abuse and neglect check for the period of service tested.
- There was no evidence of a permanency plan by March 27, 2001 for 2 children who entered foster care prior to March 27, 2000.
- 12 claims had no evidence of supervisory reviews for the period tested.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. CFSA's Foster Care assistance payments claims for FY 2008 were $10,977,286.

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – 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 records 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. We also recommend CFSA comply with its internal control procedure that requires annual supervisory reviews of claims eligible for reimbursement.

Views of Responsible Officials and Planned Corrective Actions – The following responses were provided with respect to the conditions noted above:

Condition #1: The Family Licensing Division's internal control procedures will be amended to require weekly consultations with each worker and supervisor to review the status of the criminal background checks and child protection clearances for timeliness, expiration dates, and remaining in compliance with Federal and District laws.

Condition #2: The Family Licensing Division's internal control procedures will be amended to require weekly consultations with each worker and supervisor to review the status of the criminal background checks and child protection clearances for timeliness, expiration dates, and remaining in compliance with Federal and District laws.

Condition #3: The Family Licensing Division's internal control procedures will be amended to require weekly consultations with each worker and supervisor to review the status of the criminal background checks and child protection clearances for timeliness, expiration dates, and remaining in compliance with Federal and District laws.

Condition #4: The Agency does not concur. Title IV-E costs cannot be claimed (for otherwise Eligible/Reimbursable children) during periods for which court order language establishing that "Reasonable Efforts to Achieve Permanency" were made is lacking. However, claiming can continue – going forward – once such language is obtained. Where required, there was such language for all sampled FY 2008 claims.

Condition #5: The Agency does not concur. CFSA asserts that all records were reviewed by the Eligibility Unit supervisor prior to submission to the auditors for review.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-61	U.S. Department of Health and Human Services Adoption Assistance CFDA Number: 93.659 Grant Award Number: 0801DC1407 Grant Award Period: 10/01/07-09/30/08	Eligibility	Not Determinable

Criteria or Specific Requirement – Adoption Assistance benefits may be paid on behalf of a child if the following requirements are met:

- The Child is eligible, or would have been eligible, for the former aid to families with Dependent Children program except for his/her removal from the home of a relative pursuant to either a voluntary placement agreement or as a result of a judicial determination to the effect that continuation in the home of removal would have been contrary to the welfare of the child (42 USC 673 (c)).
- There was reasonable efforts to place the child for adoption without a subsidy (42 USC 673 (c)).
- The agreement for the subsidy was signed and in effect before the final decree of adoption and contains information concerning the nature of services; the amount and duration of the subsidy; the child's eligibility for the Title XX services and Title XIX Medicaid; and covers the child should he/she move out of State with the adoptive family (42 USC 675 (3)).

Condition – During our testing of a sample of 38 eligibility case files, we identified the following instances of noncompliance:

- 1 claim provided no evidence of reasonable efforts to place the child for adoption without a subsidy.
- The subsidy agreement for 1 claim did not contain required supplementary language.
- In 5 instances, a program eligibility checklist was not provided to validate completion.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. CFSA's Adoption Assistance payments claims for FY 2008 were $13,873,087.

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – 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 records retention policy to ensure that complete documentation is maintained for each child enrolled in the Adoption Assistance 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. We also recommend CFSA comply with its internal control procedure that requires the completion of a program eligibility checklist that is reviewed for accuracy and signed by a supervisor.

Views of Responsible Officials and Planned Corrective Actions – The following responses were provided with respect to the conditions noted above:

Condition #1: The Agency concurs that in one of the sampled cases, no evidence of reasonable efforts to place the child for adoption without a subsidy was provided.

Condition #2: The Agency acknowledges that one subsidy agreement did not contain the required supplementary language. However, the file copy only contained pages one and three of the standard agreement – page two apparently was mishandled in copying to the file. The required language – in all instances – was contained on page two.

Condition #3: The Agency does not concur. The Agency acknowledges that five records did not include an eligibility checklist. However, the checklist is not an eligibility requirement and is not needed for cases determined in the FACES eligibility determination module – the module serves the eligibility checklist function.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-62	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number: 93.658 Grant Award Number: 0801DC1401 Grant Award Period: 10/01/07-09/30/08	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – We sampled 46 procurement files for the Foster Care program and identified the following:

- 16 small dollar procurement files had no information which documented the procurement history and related requirements.
- There was no evidence of CFSA verifying whether 1 vendor involved in a procurement transaction had been debarred or suspended from providing services where federal funds are utilized.
- 2 procurement files did not have competitive bid documentation.
- 1 contract had no evidence of a cost or price analysis.
- 1 contract had no evidence of a purchase order being utilized.
- 1 sole sourced contract had no written justification for utilizing the sole source method.
- 2 files did not have completed procurement officer authorizations.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. We reviewed 46 procurement files totaling $12,410,583.

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 – Inadequate quality assurance reviews are being performed of the procurement files, particularly for purchases less than $100,000.

Recommendation – We recommend CFSA develop detailed quality assurance policies and procedures that focus on ensuring that all procurement actions processed are properly documented and supported in accordance with federal laws and regulations. In addition, we recommend that CFSA review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – The following responses were provided with respect to the conditions noted above:

Condition #1: The Agency does not concur. The files being referenced here are for purchases under the non-competitive level of $10,000.00. DCMR Title 27 Section 1800.1 states "Except as provided in § 1801.2, a contracting officer may make a procurement for an amount of ten thousand dollars ($10,000) or less without obtaining competitive quotations if the contracting officer determines that the purchase is in the best interest of the District government considering the price and other factors (including the administrative cost of the purchase)".

Purchases under $100,000 are considered simplified acquisitions, as such the issuance of a Purchase Order is the actual "determination" of the contracting officer.

Condition #2: The Contracts and Procurement Administration (CPA), has instituted a policy for ensuring that the actual screen shot of the debarred listings search is included in the case file.

Condition #3: The Agency partially concurs. Although a competition was conducted, one file lacks the required documentation. Procedures have been implemented to ensure all files contain the required documentation of soliciting competition or in the absence of competition that the required justification is incorporated in the file.

The second procurement transaction cited was for a proprietary piece of hardware and software maintenance which is not conducive to competition.

Condition #4: The CPA will ensure that cost or price analyses are included and part of the contract file.

Condition #5: There is no corrective action required.

Condition #6: Procedures have been implemented to ensure all files contain the required documentation of soliciting competition or in the absence of competition that the required sole source justification is incorporated in the file.

Condition #7: The CPA has instituted a peer review process that now ensures that all contract and/or contract modifications have a funding document prior to execution of the same.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-63	U.S. Department of Health and Human Services Adoption Assistance CFDA Number: 93.659 Grant Award Number: 0801DC1407 Grant Award Period: 10/01/07-09/30/08	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – We sampled 57 procurement files for the Adoption Assistance program and identified the following:

- 36 small dollar procurement files had no information which documented the procurement history and related requirements.
- 1 procurement file did not have a fully documented procurement history.
- There was no evidence of CFSA verifying whether 2 vendors involved in 2 procurement transactions had been debarred or suspended from providing services where federal funds are utilized.
- 2 procurement files did not provide authorization evidence of determination and finding documents for contractor responsibility and price reasonableness.
- No evidence was provided for 1 procurement file documenting the selection process of three vendors from the D.C. Supply schedule.
- 3 procurement files did not have competitive bid documentation.
- There was no evidence that a cost or price analysis had been performed for 1 contract.
- 1 procurement was based on an "exercise of addendum"; however no evidence of the addendum being executed by authorized official was provided.
- 1 sole sourced contract had no written justification for utilizing the sole source method.
- A completed purchase order was not provided for 3 procurement files.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. We reviewed 57 procurement files totaling $5,956,252.

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 – Inadequate quality assurance reviews are being performed of the procurement files, particularly for purchases less than $100,000.

Recommendation – We recommend CFSA develop detailed quality assurance policies and procedures that focus on ensuring that all procurement actions processed are properly documented and supported in accordance with federal laws and regulations. In addition, we recommend that CFSA review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – The following responses were provided with respect to the conditions noted above:

Condition #1: The Agency does not concur. The files being referenced here are for purchases under the non-competitive level of $10,000.00. DCMR Title 27 Section 1800.1 states "Except as provided in § 1801.2, a contracting officer may make a procurement for an amount of ten thousand dollars ($10,000) or less without obtaining competitive quotations if the contracting officer determines that the purchase is in the best interest of the District government considering the price and other factors (including the administrative cost of the purchase)".

Purchases under $100,000 are considered simplified acquisitions; as such the issuance of a Purchase Order is the actual "determination" of the contracting officer.

Condition #2: The Contracts and Procurement Administration (CPA) will ensure that procurement history is maintained in the contract file.

Condition #3: The CPA has instituted a policy for ensuring that the actual screen shot of the debarred listings search is included in the case file.

Condition #4: The CPA has instituted peer reviews and protocols to ensure all documents are executed by the contracting officer as required.

Condition #5: The Agency does not concur. The files being referenced here are for purchases under the non-competitive level of $10,000.00. DCMR Title 27 Section 1800.1 states "Except as provided in § 1801.2, a contracting officer may make a procurement for an amount of ten thousand dollars ($10,000) or less without obtaining competitive quotations if the contracting officer determines that the purchase is in the best interest of the District government considering the price and other factors (including the administrative cost of the purchase)".

Purchases under $100,000 are considered simplified acquisitions. As such the issuance of a Purchase Order is the actual "determination" of the contracting officer. No additional documentation is required to justify the Contracting Officer's determination for a small purchase under the single quote limit or for choosing a particular vendor from the D.C. Supply schedule.

Condition #6: The Agency partially concurs. Only two procurement files did not have the required competitive bid documentation in the files. Procedures have been implemented to ensure all files contain the required documentation of soliciting competition or in the absence of competition that the required justification is incorporated in the file.

Condition #7: The CPA will ensure that cost or price analyses are included and part of the contract file.

Condition #8: The Agency does not concur. Procedures have been implemented to ensure all files contain the required documentation of soliciting competition or in the absence of competition that the required justification is incorporated in the file.

Condition #9: The Agency does not concur. Procedures have been implemented to ensure all files contain the required documentation of soliciting competition or in the absence of competition that the required sole source justification is incorporated in the file.

Condition #10: There is no corrective action required.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-64			

This finding # was not used.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-65	U.S. Department of Health and Human Services Foster Care – Title IV-E CFDA Number: 93.658 Grant Award Number: 0801DC1401 Grant Award Period: 10/01/07-09/30/08	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 – Our review of CFSA's monitoring of 4 private placement agencies revealed the following:

- CFSA had not received the OMB Circular A-133 Audit reports for 3 private placement agencies during the period of review.
- None of the 4 samples tested included federal award identification information to the private placement agencies.
- There was no evidence of CFSA performing the required pass-through entity impact on deficiencies identified in a site visit of 1 private placement agency.
- 1 sample tested had no evidence of any monitoring conducted during the award period.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. CFSA awarded contracts to 18 private placement agencies in FY 2008 to perform oversight of certain foster care program criteria.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – CFSA management was not aware of the requirement to include the federal award information in the private placement agency contracts. In addition, CFSA management is not adequately reviewing the monitoring files to ensure that all private placement agencies are monitored and that deficiencies identified during monitoring are properly remediated.

Recommendation – We recommend CFSA prospectively include the Foster Care federal award information in all private placement agency contracts. In addition, we recommend CFSA perform more periodic reviews of staff monitoring files to ensure that the private placement agencies are properly monitored and deficiencies noted in the monitoring visits are properly remediated.

Views of Responsible Officials and Planned Corrective Actions – CFSA utilizes a Record Keeping Guideline to organize and maintain files for its Child Placement Agency monitoring files. These files are maintained by Program Monitors and are reviewed by the supervisory program monitors and program manager on a periodic basis. CFSA is in the process of conducting a full review of its monitoring program and will update the Record Keeping Guide to incorporate all required documents. CFSA will build in a revised QA process to include routine supervisory reviews of monitoring files and activities to ensure that private placement agencies are properly monitored, deficiencies are noted, and there is proper follow-up.

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District Agency – District Department of the Environment (DDOE)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-66	U.S. Department of Health and Human Services Low Income Home Energy Assistance Program CFDA Number: 93.568 Grant Award Number: 2008G992201 Grant Award Period: 10/01/07-09/30/09	Equipment and Real Property Management	Not Determinable

Criteria or Specific Requirement – According to 45 CFR 92 of the U.S. Department of Health and Human Services: "(a) Title - Subject to the obligations and conditions set forth in this section, title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively. (b) States - A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section."

Condition – We noted that equipment and property purchases for FY 2008 were not properly included in the fixed asset inventory listing as of September 30, 2008.

Context – This is a condition identified per review of DDOE's compliance with specified requirements. There were two instances where equipment and property purchases for FY 2008 were not properly included in the fixed asset inventory listing as of September 30, 2008.

Effect – DDOE is not in compliance with the equipment and real property compliance requirements for the Low Income Home Energy Assistance Program.

Cause – The process is not automated and is subject to human error. If the monthly scans of equipment and property purchases are not manually done by the Grants Management Specialist, the equipment and property purchases will not get recorded in the fixed asset inventory system. These items will go unidentified by any other controls within the process.

Recommendation – DDOE should perform a monthly reconciliation between entries recorded in the equipment and property account in the accounting system and the items recorded in the fixed assets inventory system for the month. This reconciliation should be reviewed and the final fixed assets inventory list should be approved once the reconciliation has been properly completed.

Views of Responsible Officials and Planned Corrective Actions – The capture of fixed asset information does have an automated component, but there is a back-up manual process. In this instance, there was human error and the scan for assets was not performed at the proper time to pick up all assets. We will be improving the scan report and taking steps to ensure that the back-up manual scan is done at the proper time to capture all fixed assets purchased.

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District Agency – District Department of the Environment (DDOE)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-67	Environmental Protection Agency Nonpoint Source Implementation Grants CFDA Number: 66.460 Grant Award Number: C9-00349608 Grant Award Period: 10/01/07-09/30/11	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – According to the grant agreement, "The funds awarded by this grant and identified as base funds shall be used to implement specific goals, actions, and or milestones in the approved Nonpoint Source Management Program. Up to 20 percent of these base program funds can be used to assist in planning assessment and/or monitoring. In addition, funds awarded by this grant and identified as incremental funds shall be used to implement best management practices and/or programs which will result in direct measurable environmental results such as load reductions and or water quality improvements and which implement a specific goal, action, or project clearly identified in a Watershed Based Plan (WBP). Up to 20 percent of these incremental funds can be used to assist in development, planning, assessment, and or monitoring support for a specific WBP. Funding beyond the 20% limit can only be used for WBP development on a case by case basis and only when written approval is provided by EPA."

Condition – DDOE was unable to provide information sufficient to assess its compliance with the earmarking requirement to expend no more than 20% of base funding on planning, monitoring, and assessment.

Context – This is a condition identified per review of DDOE's compliance with specified requirements.

Effect – DDOE may not be in compliance with the earmarking requirement for the Nonpoint Source Implementation Grants.

Cause – DDOE does not track expenses for planning, monitoring, and assessment separately so that an analysis of actual expenses for planning, monitoring, and assessment over base funding could be performed. In addition, employees time is not tracked according to time spent on planning, monitoring, and assessment; therefore, payroll expenses cannot be included in the earmarking analysis.

Recommendation – DDOE should track expenses used for planning, monitoring, and assessment on at least an annual basis and perform an analysis to ensure that they are in compliance with the earmarking requirement under the grant.

Views of Responsible Officials and Planned Corrective Actions – The Agency does indeed have a system to track time and expenses, and tracking expenditures has not been raised as an issue by our grantor agency. The detailed reporting that has been provided to our granting officers satisfied all of their administrative requirements.

However, in order to avoid the appearance of noncompliance, we will establish an additional lower tier of accounting attributes in order to track these expenditures at a more detailed level.

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District Agency – District Department of the Environment (DDOE)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-68	Environmental Protection Agency Nonpoint Source Implementation Grants CFDA Number: 66.460 Grant Award Number: C9-00349608 Grant Award Period: 10/01/07-09/30/11	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 – DDOE did not formally document whether or not its subrecipients required an OMB Circular A-133 audit nor did it obtain a copy of the audit and the status of findings or corrective action plans, in all cases.

Context – This is a condition identified per review of DDOE's compliance with specified requirements. The total number of subrecipients in FY 2008 was 9.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – There is no formal documentation of each subrecipient's requirement to have an OMB Circular A-133 audit (if they expend more than $500,000 in federal funds) and that a copy be provided to DDOE. In addition, staff is not trained to ask for this report and to ensure that it was properly and timely filed by the subrecipient.

Recommendation – We recommend that DDOE include a specific requirement in its subrecipient agreements informing the subrecipients of the requirement to have an OMB Circular A-133 audit if they expend more than $500,000 in federal funds. In addition, it should require that the subrecipient provide DDOE with a copy of its OMB Circular A-133 audit and any corrective action plans for findings noted. DDOE should maintain a list of subrecipients with the applicability of the OMB Circular A-133 requirement and for those required to provide an audit, the date of receipt of the audit report, a list of findings, and a status on the corrective action on all audit findings. Further, DDOE employees should ensure that the audits were performed within 9 months of the subrecipient's year-end.

Views of Responsible Officials and Planned Corrective Actions – The District Department of the Environment currently provides language on subgrant agreements that requires subgrantees and subrecipients to comply with the following: "Grantees that expend $500,000 or more during their fiscal year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of the United States Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. The OMB Circular A-133 audit and related reporting package described therein shall be submitted to the Office of Accountability and Management Reporting, Division of Compliance and Monitoring at the address referenced below within the earlier of 30 days after receipt of the auditor's report(s) or nine months after the Grantee's fiscal year end."

Further, DDOE will require that the subrecipients provide a copy of their OMB Circular A-133 audit and any corrective action plans for findings noted in their audit. In addition, DDOE will maintain a list of subrecipients with the applicability of the OMB Circular A-133 requirement and for those required to provide an audit, the date of receipt of the audit report, a list of findings, and a status on the corrective action on all audit findings.

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District Agency – Department of Housing and Community Development (DHCD)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-69	U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants CFDA Number: 14.218 Grant Award Number: B07-MC-11-0001 Grant Award Period: 10/1/07-9/30/08	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 establish 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 specified 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 – DCHD has submitted a cost allocation plan for FY 2008 to our oversight agency, the Department of Housing and Urban Development (HUD) as required by OMB Circular A-87, and is awaiting for a response from HUD.

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District Agency – Department of Housing and Community Development (DHCD)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-70	U.S. Department of Housing and Urban Development HOME Investment Partnerships Program CFDA Number: 14.239 Grant Award Number: M07-SG-11-0100 Grant Award Period: 10/1/07-9/30/08	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 establish 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 specified 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 – DCHD has submitted a cost allocation plan for FY 2008 to our oversight agency, the Department of Housing and Urban Development (HUD) as required by OMB Circular A-87, and is awaiting for a response from HUD.

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District Agency – Department of Housing and Community Development (DHCD)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-71	U.S. Department of Housing and Urban Development HOME Investment Partnerships Program CFDA Number: 14.239 Grant Award Number: M07-SG-11-0100 Grant Award Period: 10/1/07-9/30/08	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement for Matching Requirements Attachment (G)1 for the Home Investment Partnerships Program states that:

a. Each participating jurisdiction must provide eligible matching contributions of 25 percent of HOME funds drawn down during the fiscal year. The match must be provided by the end of the fiscal year. Some participating jurisdictions are eligible for a reduction in the required match based upon meeting standards of distress. The jurisdictions which are eligible for the reduction are identified by a notice published in the *Federal Register*, or a notice issued by HUD. Jurisdictions may also receive reductions if they are in Presidentially declared disaster areas. Participating jurisdictions are required to maintain records, including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contributions by project. Matching information is provided on the *HOME Match Report* (HUD-40107-A) (24 CFR sections 92.218 through 92.220, 92.222, and 92.508).

Condition – DHCD did not have support for the computation of the required match to ensure compliance with the matching requirements specified in the OMB Compliance Supplement.

Context – This is a condition identified per review of DHCD's compliance with specified requirements.

Effect – Due to the lack of support for the matching calculations, DHCD may not have met the matching requirement.

Cause – DHCD did not implement any of the systems and controls necessary to ensure that the HOME match report was properly prepared and documented.

Recommendation – DHCD management should deploy resources that are given the responsibility of ensuring all reports submitted to HUD are properly prepared and documented.

Views of Responsible Officials and Planned Corrective Actions – DHCD properly computed the HOME match with adequate supporting documentation. However, the supporting documentation was misplaced during the move to the new Agency headquarters.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-72	U.S. Department of Agriculture State Administrative Matching Grants for Food Stamp Program CFDA Number: 10.561 Grant Award Number: 1DC400402 Grant Award Period: 10/1/07-9/30/08	Allowable Costs: Nonpayroll and Payroll Activities	$16,272

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Condition – During our review of expenditures charged to this grant, we identified a number of instances where the expenditures were not in compliance with OMB Circular A-87 cost principles.

- DHS was unable to provide adequate support for 1 out of 3 nonpayroll items selected for testing. We received and reviewed journal vouchers for the item in question; however, we were not able to determine if the actual costs were allowable under the grant based on the information provided.
- DHS was unable to provide supporting documentation for 1 out of 17 payroll expenditures charged to the program.

Context – This is a condition identified per review of DHS' compliance with specified requirements. We reviewed 3 nonpayroll expenditures totaling $35,303 and 17 payroll expenditures totaling $196,121. Total nonpayroll and payroll expenditures charged to the program in FY 2008 were $4,603,119 and $8,393,843, respectively. The nonpayroll and payroll items in question amounted to $16,028 and $243, respectively.

Effect – DHS is not in compliance with stated requirements and program directives governing the grant; therefore, expenditures that are not adequately supported may not be allowable under the terms of the grant.

Cause – Journal entries were not supported by adequate documentation to help determine whether the underlying transactions were allowable under the grant.

Recommendation – We recommend that DHS should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – While management concurs with the finding, in the District of Columbia government all invoices for fixed costs are received and paid by the Office of Finance and Resource Management (OFRM). The costs are then allocated to the agencies. The agencies have no documentation for the fixed cost charges.

The one payroll expenditure is a journal entry made in accordance with the Random Moment Sampling to allocate costs for Food Stamps. This ties back in total to SOAR, the District's accounting system of record, and the FSR reported to the Federal government.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-73			

This finding # was not used.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-74	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2007G996115, 2008G996115 Grant Award Period: 10/1/06-9/30/07, 10/1/07-9/30/08	Allowable Costs: Indirect Cost Activities	Not Determinable

Criteria or Specific Requirement – Under OMB Circular A-87, costs must be allocable to Federal awards under the provisions of 2 CFR Part 225 in order to be allowable under federal awards.

Allocable Costs:

a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
b. All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.
c. Any cost allocable to a particular federal award or cost objective under the principles provided for in 2 CFR Part 225 may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons.
d. Where an accumulation of indirect costs will ultimately result in charges to a federal award, a cost allocation plan will be required.

Condition – Income Maintenance Administration (IMA) is responsible for the administration of the TANF program and other federal programs. DHS has a cost allocation plan that outlines the methodology for allocating IMA costs to the TANF program. The cost allocation plan requires that IMA's Office of Administrator and Four Division Unit costs be allocated to the lower tier departments based on the salaries, wages, and benefits of the departments. Once the Office of Administrator and the divisional costs are allocated to the lower departments, the plan requires that the departmental direct and allocated costs be allocated to the TANF program either at 100% or based on a time study or call volume results.

DHS calculates TANF's allocable administrative costs on a quarterly basis. Based on our review of three quarterly allocations, we determined that the IMA administrative cost pool that was allocated to the TANF program was not in accordance with IMA's cost allocation plan.

- DHS does not allocate the Office of Administrator and the Four Division Units costs to the various lower departments within each division based on their total salaries, wages, and benefits. DHS sums all of the IMA indirect costs and then allocates the costs to the different federal programs. None of the federal direct program costs are allocated any of its share of the Office of Administrator and Division Unit costs.

- The IMA costs allocated to the TANF program are not based on a quarterly time study results or call volume results. The IMA costs allocated to the program are based on the remaining IMA administration costs after the Medicaid and Food Stamp programs have been allocated its share of the costs. Based on the time study results for FY 2008, TANF should have been allocated 10.75% of the allocable IMA administrative costs and but it was allocated 20.10% of the costs.

- The TANF administrative costs reported to the Federal government in the financial report for the fourth quarter is not based on the same methodology used to determine TANF administrative costs for the first, second, and third quarters. The fourth quarter TANF administrative costs were based on the actual cumulative costs reflected in SOAR, the District's accounting system of record, less the previously reported TANF administrative costs. However, the TANF SOAR costs have not been adjusted for all of the time study or call volume results; and therefore do not represent the actual allocable TANF program costs.

Context – This is a condition identified per review of DHS' compliance with specified requirements. The total amount of DHS administrative costs allocated to the TANF federal program in FY 2008 were $7,775,036.

Effect – The administrative costs allocated to the TANF program may be overstated.

Cause – Per DHS management, the cost allocation plan for IMA is required for the allocation of administrative costs to the Food Stamp and Medicaid programs. Any residual costs can be allocated to TANF as long as they do not exceed 15% of the grant award.

Recommendation – We recommend DHS allocate its agency's administrative costs to the TANF program based on its approved cost allocation plan.

Views of Responsible Officials and Planned Corrective Actions – DHS does not agree with the findings. Under the statutory language, the regulations state that" … States may not spend more than 15 percent of either their Federal TANF funds or their State MOE dollars on administrative costs." The only criteria in the TANF regulations is whether the costs are considered administrative in nature; and the statute (and TANF regulations) clearly indicate that a State may claim up to 15% of its allotment as administrative costs. The definition at §273.0(b) provided that "Administrative costs means costs necessary for the proper administration of the TANF program or separate State programs. It includes the costs for general administration and coordination of these programs, including indirect (or overhead) costs." The definition is broad enough that it would not create a significant new administrative burden on States.

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No.	Program	Findings/Noncompliance	Questioned Costs
2008-75			

This finding # was not used.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-76	U.S. Department of Agriculture State Administrative Matching Grants for Food Stamp Program CFDA Number: 10.561 Grant Award Number: 1DC400402 Grant Award Period: 10/1/07-9/30/08	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 1 funding technique for this program for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 0 days and the amount of request shall be for the exact amount of that disbursement.

This funding technique requires the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 8 drawdown requests totaling $2,532,086. Total FY 2008 drawdown requests were $7,523,024. We noted the following:

- All 8 drawdown requests were not in accordance with the District's CMIA agreement.
- Some of the expenses that supported 1 of the selected drawdown requests was found not to have been paid before the date of the reimbursement request.

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 does not follow the CMIA agreement because it would require the Agency to request reimbursement on a bi-weekly basis instead of on a weekly basis.

Recommendation – We recommend that management compare cash draws to expenditure reports ensuring that they are adequately supported. We further recommend that management ensure that cash draws are performed in accordance with the CMIA agreement.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DHS is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. The methodology that was implemented in 2007 required DHS/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures in SOAR. Copies of the EIS report are distributed to the accountants who review it to determine how much is available to draw on a specific grant. Because of the volume of grants that comprise DDS' budget, 100% adherence to the CMIA for non-personnel services is not feasible. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

Beginning in the latter half of FY 2008, cash requests are being made on Thursdays as opposed to the early part of the week to ensure funds are deposited to the District Treasury account by Friday.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-77	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2007G996115, 2008G996115 Grant Award Period: 10/1/06-9/30/07, 10/1/07-9/30/08	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the TANF grant for the drawdown of funds:

- Administrative costs require the use of the fixed administrative allowance and a clearance pattern of 5 days.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Benefit payments require the use of the actual clearance funding technique and clearance pattern of 0 days and the amount of request shall be for the exact amount of that disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 8 drawdown requests totaling $11,906,511. Total FY 2008 drawdown requests were $51,028,581. We noted the following:

- All 8 drawdown requests were not in accordance with the District's CMIA agreement.
- In 3 instances, DHS was unable to provide complete documentation to support the drawdowns.
- Some of the expenses that supported the 8 drawdown requests were found not to have been paid before the date of the reimbursement request.

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 does not follow the CMIA agreement because it would require the Agency to request reimbursement on a bi-weekly basis instead of on a weekly basis.

Recommendation – We recommend that management compare cash draws to expenditure reports ensuring that they are adequately supported. We further recommend that management ensure that cash draws are performed in accordance with the CMIA agreement.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DHS is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. The methodology that was implemented in 2007 required DHS/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures in SOAR. Copies of the EIS report are distributed to the accountants who review it to determine how much is available to draw on a specific grant. Because of the volume of grants that comprise DDS' budget, 100% adherence to the CMIA for non-personnel services is not feasible. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

Beginning in the latter half of FY 2008, cash requests are being made on Thursdays as opposed to the early part of the week to ensure funds are deposited to the District Treasury account by Friday, to meet the modified average clearance pattern for payroll expenditures.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-78	U.S. Department of Health and Human Services Community Services Block Grant CFDA Number: 93.569 Grant Award Number: 2008G994002 Grant Award Period: 10/1/07-9/30/08	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Community Services Block Grant program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of that disbursement.
- Administrative payments require the use of the fixed administrative allowance funding technique and a clearance pattern of 5 days.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 8 drawdown requests totaling $2,138,273. Total FY 2008 drawdown requests were $10,260,563. We noted the following:

- All 8 drawdown requests were not in accordance with the District's CMIA agreement.
- Some of the expenses that supported 1 of the selected drawdown requests was found not to have been paid before the date of the reimbursement request.

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 does not follow the CMIA agreement because it would require the Agency to request reimbursement on a bi-weekly basis instead of on a weekly basis.

Recommendation – We recommend that management compare cash draws to expenditure reports ensuring that they are adequately supported. We further recommend that management ensure that cash draws are performed in accordance with the CMIA agreement.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DHS is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. The methodology that was implemented in 2007 required DHS/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures in SOAR. Copies of the EIS report are distributed to the accountants who review it to determine how much is available to draw on a specific grant. Because of the volume of grants that comprise DDS' budget, 100% adherence to the CMIA for non-personnel services is not feasible. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

Beginning in the latter half of FY 2008, cash requests are being made on Thursdays as opposed to the early part of the week to ensure funds are deposited to the District Treasury account by Friday.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-79	U.S. Department of Health and Human Services Social Services Block Grant CFDA Number: 93.667 Grant Award Number: 2008G992432 Grant Award Period: 10/1/07-9/30/08	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Social Services Block Grant program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of that disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 8 drawdown requests totaling $2,360,599. Total FY 2008 drawdown requests were $6,227,948. We noted the following:

- All 8 drawdown requests were not in accordance with the District's CMIA agreement.
- Some of the expenses that supported the 4 of the selected drawdown requests were found not to have been paid before the date of the reimbursement request.

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 does not follow the CMIA agreement because it would require the Agency to request reimbursement on a bi-weekly basis instead of on a weekly basis.

Recommendation – We recommend that management compare cash draws to expenditure reports ensuring that they are adequately supported. We further recommend that management ensure that cash draws are performed in accordance with the CMIA agreement.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DHS is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. The methodology that was implemented in 2007 required DHS/Office of the Chief Financial Officer to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures in SOAR. Copies of the EIS report are distributed to the accountants who review it to determine how much is available to draw on a specific grant. Because of the volume of grants that comprise DDS' budget, 100% adherence to the CMIA for non-personnel services is not feasible. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

Beginning in the latter half of FY 2008, cash requests are being made on Thursdays as opposed to the early part of the week to ensure funds are deposited to the District Treasury account by Friday, to meet the modified average clearance pattern for payroll expenditures.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-80	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2007G996115, 2008G996115 Grant Award Period: 10/1/06-9/30/07, 10/1/07-9/30/08	Eligibility	Not Determinable

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement, a State may not use funds to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to place of residence in order to simultaneously receive assistance from two or more States under TANF, Title XIX, or the Food Stamp Act of 1977, or benefits in two or more States under the Supplemental Security Income program under Title XVI of the Social Security Act.

A State may not provide assistance to any individual who is fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or attempt to commit a felony (or in the State of New Jersey, a high misdemeanor), or who is violating a condition of probation or parole imposed under Federal or State law (42 USC 608(a)(9)(A)).

Condition – From a review of 45 participant case files, we identified the following deficiencies in the TANF eligibility process:

- 1 participant was receiving TANF benefits after being found guilty of collecting TANF benefits simultaneously from the District and another state.
- There was no evidence noted in the 45 participant cases reviewed that DHS was documenting that participants were not fleeing from prosecution or convictions for felonies.

Context – This is a condition identified per review of DHS' compliance with specified requirements.

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – DHS does not have adequate internal controls to ensure that TANF benefits are paid only to eligible participants.

Recommendation – We recommend that DHS should perform periodic reviews of the data in its participant files to ensure that the data is accurate and complete. We also recommend DHS establish procedures that require participants to certify in writing that they are not fleeing from prosecution or convictions for felonies.

Views of Responsible Officials and Planned Corrective Actions – DHS agrees with the finding "1 participant was receiving TANF benefits after being found guilty of collecting TANF benefits simultaneously from the District and another state." However, IMA internal monitors flagged this case, closed it, and established an overpayment. This is the standard policy for any instance where it is discovered that an individual is found guilty of receiving benefits from more than one state.

Further, with regards to the second finding, the combined application will be revised to include a certification that the customer does not have any outstanding bench warrants in this or any other jurisdiction which will be randomly audited.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-81	U.S. Department of Health and Human Services	Period of Availability	$338,674
	Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2007G996115, 2008G996115 Grant Award Period: 10/1/06-9/30/07, 10/1/07-9/30/08		

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement, the State must obligate by September 30, of the current fiscal year any funds for expenditures on non-assistance. The State must liquidate these obligations by September 30 of the immediately succeeding federal fiscal year for which the funds were awarded. If the final liquidation amounts are lower than the original amount obligated, this difference must be included in the Unobligated Balance Line Item for the year in which they were awarded. Unobligated balances from previous fiscal years may only be expended on benefits that meet the definition of assistance at 45 CFR section 260.31(a) and related administrative costs associated with providing such assistance.

Condition – DHS charged 2 invoices totaling $338,674 to the FY 2007 TANF award for contracts that were outside of the grant's period of availability. These expenditures that relate to the contract awarded in FY 2008 should not have been charged to the FY 2007 award.

Context – This is a condition identified per review of DHS' compliance with specified requirements. We reviewed 4 transactions totaling $446,828 that had been charged to TANF's prior year grant funds.

Effect – DHS is not in compliance with the provisions of the compliance supplement and expenditures may not be considered allowable under the TANF grant.

Cause – DHS did not properly review the expenditures that had been charged to the TANF program.

Recommendation – We recommend DHS improve its review process of expenditures processed and recorded to the TANF grant to ensure that expenditures are charged to the correct grant award period.

Views of Responsible Officials and Planned Corrective Actions – DHS agrees with the finding and will ensure that expenditures are charged to the correct TANF grant award period.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-82	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2007G996115, 2008G996115 Grant Award Period: 10/1/06-9/30/07, 10/1/07-9/30/08	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate with these requirements.

Condition – In our review of 30 procurement files related to the TANF grant, we identified the following:

- There was no evidence of DHS verifying whether 15 vendors involved in 15 procurement transactions had been debarred or suspended from providing services where federal funds are utilized.
- DHS was unable to provide documentation that 3 quotes were obtained for 1 procurement file.
- DHS was unable provide 7 procurement files for our review. The total amount of purchase orders for the 7 procurement files that were not provided was $793,333.

Context – This is a condition identified per review of DHS' compliance with specified requirements. We reviewed 30 vendor procurements totaling $13,254,000.

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 – DHS' policies and procedures related to procurement documentation and file retention were not functioning as intended.

Recommendation – We recommend DHS develop detailed quality assurance policies and procedures that focus on ensuring that all procurement actions processed are properly documented and supported in accordance with federal laws and regulations. In addition, we recommend that DHS review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – The Office of Contracting and Procurement (OCP) conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved. Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including evidence that the awarded price is fair and reasonable.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-83	U.S. Department of Health and Human Services Community Services Block Grant CFDA Number: 93.569 Grant Award Number: 2008G994002 Grant Award Period: 10/1/07-9/30/08	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate with these requirements.

Condition – In our review of 4 procurement files related to the Community Services Block grant, DHS was unable to provide 2 procurement files for our review. The total amount of purchase orders for the 2 procurement files that were not provided was $9,276,144.

Context – This is a condition identified per review of DHS' compliance with specified requirements. We reviewed 4 procurements files totaling $9,377,203.

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 – DHS' policies and procedures related to procurement documentation and file retention were not functioning as intended.

Recommendation – We recommend DHS develop detailed quality assurance policies and procedures that focus on ensuring that all procurement actions processed are properly documented and supported in accordance with federal laws and regulations. In addition, we recommend that DHS review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – The Office of Contracting and Procurement (OCP) conducted cost and price analysis in accordance with internal policies and procedures for procurements cited in this finding, but failed to properly maintain records documenting the completion of this task. OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including evidence that the awarded price is fair and reasonable.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-84	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2007G996115, 2008G996115 Grant Award Period: 10/1/06-9/30/07, 10/1/07-9/30/08	Special Tests and Provisions: Child Support Non-Cooperation	Not Determinable

Criteria or Specific Requirement – If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must:

> (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. DHHS may penalize a State for up to five percent of the State Family Assistance Grant for failure to substantially comply with this required State child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR sections 264.30 and 264.31).

Condition – DHS was unable to provide copies of the electronic reports that it receives from the District's Child Support Agency which identifies those TANF participants who are not cooperating in establishing or enforcing a child support order covering the period from October, 2007 through June 2008. As a result, we were unable to determine if DHS properly reduced or terminated various participants' TANF assistance, as required under the program for the said period.

Even though DHS was able to provide the above electronic reports covering the period from July 2008 through September 2008, the reports included list of participants who were not TANF recipients. As such, 21 out of 45 participant samples selected for testing were not TANF recipients.

Context – This is a condition identified per review of DHS' compliance with specified requirements.

Effect – There may be TANF participants whose assistance was not properly reduced or terminated.

Cause – DHS receives the files from the District's Child Support Agency and cannot identify the type of applicant unless it researches each referred file.

Recommendation – We recommend that DHS maintain in its files the electronic reports received from the District's Child Support Agency related to non-child support cooperation cases in accordance with the District's and the Federal government's record retention and archiving policies, whichever is later. In addition, the electronic reports should identify the types of benefits the participants are receiving.

Views of Responsible Officials and Planned Corrective Actions – Income Maintenance Administration's (IMA) inability to provide the Child Support non-compliance reports for October 2007 through June 2008 is directly related to the identification of a technical problem with the reports in June 2008. IMA was asked to provide the same reports for FY07 and discovered that ACEDS was not properly matching the incoming data from Child Support to the ACEDS case. The problem was corrected right away and that's why there are reports for July 2008 through September 2008. After we corrected the problem, the ACEDS office contacted the Child Support office to request a list of those individuals who were still non-compliant according to their records and we made sure the sanctions were applied.

The ACEDS Child Support interface handled referrals to and responses from Child Support for the TANF and Medicaid populations. IMA is required to impose sanctions for both Medicaid and TANF recipients who fail to comply with child support requirements. The report from Child Support regarding compliance and non-compliance does not include the program type (nor, to our knowledge, is it required to). The worker who processes the report determines that.

DHS agrees that it cannot identify the program from the child support interface for purposes of sanction for non-cooperation until the SSR goes into the individual case. There is no regulatory requirement that the report produced from the Child Support interface data identify the program(s) involved. Each case is required to be processed individually. Staff processing the sanctions are able to determine in ACEDS, which sanction or sanctions to impose. IMA provided an additional electronic file of all TANF recipients from which the auditors could validate their sample and the sanctions imposed during the sample month.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-85	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2007G996115, 2008G996115 Grant Award Period: 10/1/06-9/30/07, 10/1/07-9/30/08	Special Tests and Provisions: Income Eligibility and Verification System	Not Determinable

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement:

- Under the State Plan the State is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies.
- The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits, or services under the TANF program.

Condition – DHS was unable to provide evidence that participant income was verified for 1 of 45 participant cases selected for testing.

Context – This is a condition identified per review of DHS' compliance with specified requirements.

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – DHS is not performing periodic reviews of the data in its participant files.

Recommendation – We recommend that DHS perform periodic reviews of the data in its participant files to ensure compliance with the income eligibility and verification system requirements. In addition, supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – DHS agrees and will follow through with the recommendations.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-86			

This finding # was not used.

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District Agency – Department of Employment Services (DOES)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-87	U.S. Department of Labor Unemployment Insurance CFDA Number: 17.225 Grant Award Number: UI 15114-06-55, UI 15791-07-55, UI 16739-08-55-A-11 Grant Award Period: 10/1/05-12/31/08, 10/1/06-12/31/09, 10/1/07-12/31/10	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Unemployment Insurance program for the drawdown of funds:

- Program payments require the use of the modified average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement

Condition – DOES does not make drawdowns on a biweekly basis and as such, appears to be in violation of the proper funding technique and the clearance pattern specified by the CMIA Agreement.

Context – This is a condition identified per review of DOES' compliance with specified requirements.

Effect – DOES 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 – DOES does not have a mechanism in place to ensure drawdown requests are being made on a timely basis, and in accordance with the specifications of the CMIA Agreement.

Recommendation – We recommend DOES comply with the provisions of the CMIA agreement and request federal funds consistent with the required funding technique and its actual cash needs. In addition, DOES should properly monitor drawdown requests and implement a review process to ensure the requests are being made on a biweekly basis.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding that drawdowns were not completed in accordance with the CMIA agreement.

To address the issue of non-compliance, DOES implemented additional management review and monitoring effective October 1, 2008. Under this new procedure, the Cluster Controller reviews and approves all drawdowns to make sure that these are in accordance with the CMIA agreement. These procedures are incorporated in the Office of the Chief Financial Officer (OCFO) policies and procedures manual. Management just needs to monitor strict compliance with these new procedures.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-88			

This finding # was not used.

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District Agency – District Department of Transportation (DDOT)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-89	U.S. Department of Transportation Highway Planning and Construction CFDA Number: 20.205 Grant Award Number: 7H83ZU Grant Award Period: 10/1/07-9/30/08	Davis-Bacon Act	Not Determinable

Criteria or Specific Requirement – OMB Circular A-102 requires that recipients of federal awards include in their construction contracts, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and Department of Labor (DOL) regulations. It also requires for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Condition – DDOT did not adequately monitor the Davis-Bacon Act requirements in a consistent manner. We observed:

- Lack of evidence that a contract specialist reviewed 2 of 20 certified payroll reports selected for testing.
- The certified payroll reports for 2 of 20 employees selected for testing were missing.

Context – This is a condition identified per review of DDOT's compliance with specified requirements. Records were not maintained to provide evidence that a proper review of the payroll reports was performed by a contract specialist.

Effect – DDOT is noncompliant with the Davis Bacon Act provisions and there is a potential that DDOT could have underpaid construction workers.

Cause – DDOT did not adhere to its policies and procedures to ensure that contract specialists monitor compliance of contractors and subcontractors in accordance with the Davis-Bacon Act.

Recommendation – There should be a system in place to ensure that all certified reports are received on a timely basis and a consistent review is performed by the contract specialists of the certified payrolls. The supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – DDOT has an adequate system to ensure full compliance with Davis-Bacon. The findings noted in the audit reflect "human error" and not system deficiencies. However, these audit findings have prompted a more detailed internal discussion and review of our process. Management is currently reengineering its procedures to ensure full compliance with Davis-Bacon. Management will be initiating changes that will include the following elements:

(1) Added utilization of outside contractors to review payrolls and recommend necessary remedial action when violations are identified. A Scope of Work will be added to some existing Construction Management contracts that DDOT has in place. The addition of these consultants give management the immediate complement of investigators required to review payrolls and initiate the required follow up and;

(2) Management will incorporate the use of technology to supplement its efforts. Management has identified software that assists in the identification of payroll violations and management believes that it may accelerate review of payrolls. Management expects to implement this technology immediately on a trial basis. If the results of our demonstration are successful, management expects a more comprehensive implementation of this technology.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-90			

This finding # was not used.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-91	U.S. Department of Homeland Security Homeland Security Grant Program CFDA Number: 97.067 Grant Award Number: 2005-GE-T5-0024, 2006-GE-T6-0037, 2007-GE-T7-0038 Grant Award Period: 10/01/04-3/31/08, 7/01/06-6/30/09, 7/01/07-6/30/10	Cash Management: Funding Technique	Not Determinable

Criteria or specific requirements – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies a funding technique for the Homeland Security program for the drawdown of funds:

- Benefit payments and administrative costs 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.

This funding technique requires the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We have reviewed 5 drawdown requests totaling $1,036,172. Total FY 2008 drawdown requests were $25,970,177. We noted that for all of the items selected for testing:

- The clearance pattern used for the drawdowns was not in accordance with the CMIA Agreement.
- The District did not drawdown funds using the funding technique required by the CMIA agreement.

Context – This is a condition identified per review of HSEMA's compliance with the provisions of the CMIA agreement.

Effect – HSEMA 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 – HSEMA 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 HSEMA 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 – In the future, we will utilize the average clearance funding technique identified in the CMIA agreement. That is, the amount of the draw downs will be for the exact amount of the disbursements for the period.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-92	U.S. Department of Homeland Security Rail and Transit Security Grant Program CFDA Number: 97.075 Grant Awards: 2005-GB-T5-0004, 2006-RL-T6-0005 Grant Award Periods: 7/01/05-12/31/07, 10/01/06-3/31/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies a funding technique for the Rail and Transit Security program for the drawdown of funds:

- Benefit payments and administrative costs 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.

This funding technique requires the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We have reviewed 5 drawdown requests totaling $5,907,089. Total FY 2008 drawdown requests were $6,622,003. We noted that for all of the items selected for testing:

- The clearance pattern used for the drawdowns was not in accordance with the CMIA Agreement.
- The District did not drawdown funds using the funding technique required by the CMIA agreement.

Context – This is a condition identified per review of HSEMA's compliance with the provisions of the CMIA agreement.

Effect – HSEMA 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 – HSEMA 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 HSEMA 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 – In the future, we will utilize the average clearance funding technique identified in the CMIA agreement. That is, the amount of the draw downs will be for the exact amount of the disbursements for the period.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-93	U.S. Department of Homeland Security Rail and Transit Security Grant Program CFDA Number: 97.075 Grant Awards: 2006-RL-T6-0005, 2007-RL-T7-K004 Grant Award Periods: 10/01/06-3/31/09, 6/01/07-5/31/10	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – The Rail and Transit Security grant program requires that at least 97 percent of grant funds be obligated to the designated transit system within 60 days of the grant award. In addition, grantees are prohibited from obligating, expending, or drawing down funds provided through the award until the required Budget Detail Worksheet and Budget Narrative are reviewed and approved by the Office of Grant Operations and a Grant Adjustment Notice is issued removing this special condition.

Condition – During FY 2008, the Federal government approved the funding of several FY 2006 and FY 2007 grant award program projects. In our review of all the 28 grant award program projects administered by HSEMA, we identified the following exceptions with the program obligation requirements:

FY 2006 Grant Award

- The subawards were obligated after the 60 day requirement for 2 projects.
- The subaward obligation date was before the Federal government approval date for 5 projects.

FY 2007 Grant Award

- The subawards were obligated after the 60 day requirement for 5 projects.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements.

Effect – Subrecipients have less time to fulfill the requirements under the grant.

Cause – HSEMA is not adequately monitoring the subaward process to ensure that the subawards are obligated within the 60 day requirement.

Recommendation – We recommend HSEMA improve its subaward process by establishing better tracking and monitoring systems of project funding approvals and subaward agreement commitment dates.

Views of Responsible Officials and Planned Corrective Actions – HSEMA agrees that there were 2 FY 2006 and 5 FY 2007 projects issued to subgrantees beyond the 60 day window after receiving FEMA approval. This was primarily due to the fact that HSEMA had not received sufficient specific project plans from these subgrantees in a timely fashion.

In the future, HSEMA will take faster action to elevate these issues to the subgrantee agency leadership in order to ensure timely receipt of a sufficient project plan.

HSEMA had received in-person approval from FEMA for the one project that was sub-granted in advance of receiving written FEMA approval (the FEMA letter came 2 days later). In the future, HSEMA will not issue any Transit Security grant program subgrants until the FEMA approval letter is actually in-hand, despite any verbal approvals made by FEMA staff.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-94			

This finding # was not used.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-95	U.S. Department of Homeland Security Rail and Transit Security Grant Program CFDA Number: 97.075 Grant Awards: 2005-GB-T5-0004, 2007-RL-T7-K004 Grant Award Periods: 10/01/04-3/31/08, 6/01/07-5/31/10	Period of Availability	$200,495

Criteria or Specific Requirement – Under OMB Circular A-102 Common Rule, when a funding period is specified, a non-federal entity may charge to the award only costs resulting from obligations incurred during the funding period. Obligation means the amounts of orders placed, contracts and sub-grants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-federal entity during the same or a future period.

Under the 2007 grant award, recipients may not obligate, expend, or drawdown grant funds until the U.S. Department of Homeland Security (DHS) has approved the recipient's investment justifications and a Grant Adjustment Notice has been issued releasing all or a portion of the grant funds.

Condition – HSEMA charged management and administration expenditures totaling $200,495 to the 2007 Grant Award, although the expenditures were not approved by DHS during FY 2008.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements. The total amount of management and administration expenditures charged to the 2007 grant award was $200,495.

Effect – Incurring costs prior to written approval from DHS may have resulted in unallowable costs being charged to the federal program.

Cause – HSEMA did not properly review the expenditures charged to the 2007 grant award to ensure that the expenditures charged to the grant were in the appropriate grant award period and approved by DHS.

Recommendation – We recommend that HSEMA transfer the management and administration expenditures charged to the 2007 grant award to a grant that was approved for spending in FY 2008. In addition, we recommend that HSEMA monitor the management and administration expenditures charged to the grant to ensure that expenditures are only charged to the grants approved by DHS.

Views of Responsible Officials and Planned Corrective Actions – The period of performance of this grant started on June 01, 2007, and FEMA was overly delayed in issuing the GAN releasing the M&A. This is an oversight of FEMA's that has been corrected. HSEMA will be more diligent in the future in notifying FEMA of oversights of this nature to ensure that GANs are issued in a timely manner.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-96	U.S. Department of Homeland Security Homeland Security Grant Program CFDA Number: 97.067 Grant Award Number: 2005-GE-T5-0024, 2006-GE-T6-0037, 2007-GE-T7-0038 Grant Award Period: 10/01/04-3/31/08, 7/01/06-6/30/09, 7/01/07-6/30/10	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – We tested all 12 procurement files during the year and identified the following:

- 2 vendor contract files had no information that documented the methodology used and cost analysis performed to select the vendors for services.
- 1 vendor file had no evidence of competitive bidding.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements. We reviewed 12 procurement files totaling $2,239,972.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. HSEMA 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 HSEMA could possibly issue procurements without the appropriate funding.

Cause – HSEMA procurement responsibilities were transferred to another employee during the fiscal year. Some of the procurement documentation was misplaced during the transition.

Recommendation – We recommend that HSEMA review its current contracting procedures with special focus on the contracting officers or designees and their responsibilities for ensuring compliance with the procurement process and the documentation maintenance process. Action should be taken to remedy the deficiencies cited.

Views of Responsible Official(s) and Planned Corrective Action – Not available at this time.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-97	U.S. Department of Homeland Security Rail and Transit Security Grant Program CFDA Number: 97.075 Grant Awards: 2006-RL-T6-0005 Grant Award Periods: 10/01/06-3/31/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – We noted that both of the vendor contract files utilized during the year and amounting to $53,869 did not have information that documented the methodology used and cost analysis performed to select the vendors for services.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. HSEMA could inadvertently award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and HSEMA could possibly issue procurements without the appropriate funding.

Cause – HSEMA procurement responsibilities were transferred to another employee during the fiscal year. Some of the procurement documentation was misplaced during the transition.

Recommendation – We recommend that HSEMA review its current contracting procedures with special focus on the contracting officers or designees and their responsibilities for ensuring compliance with the procurement process and the documentation maintenance process. Action should be taken to remedy the deficiencies cited.

Views of Responsible Official(s) and Planned Corrective Action – Not available at this time.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-98			

This finding # was not used.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-99			

This finding # was not used.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-100	U.S. Department of Homeland Security Homeland Security Grant Program CFDA Number: 97.067 Grant Award Number: 2005-GE-T5-0024, 2006-GE-T6-0037, 2007-GE-T7-0038 Grant Award Period: 10/01/04-3/31/08, 7/01/06-6/30/09, 7/01/07-6/30/10	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 – Our review of HSEMA's monitoring of all 25 subrecipients during FY 2008 revealed that 13 subrecipients had not provided some or all of the required monthly status reports. The monthly status reports are a mechanism by which HSEMA monitors the activities of its subrecipients. Without proper monitoring of the subrecipients, there is no assurance that the program requirements were met.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements. The total number of subrecipients in FY 2008 was 25.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – HSEMA management is not adequately following up with the program managers to ascertain whether the monthly status reports have been received from the subrecipients.

Recommendation – We recommend that HSEMA establish a system to monitor and track the receipt of the monthly status reports to ensure that management has the reports to properly monitor its subrecipients.

Views of Responsible Officials and Planned Corrective Actions – HSEMA agrees that there were projects that had not submitted multiple monthly status reports. HSEMA recognizes that the monthly status reporting requirement placed on subgrantees was not an efficient manner to collect the desired information.

For that reason, HSEMA is shifting to a quarterly status report for each sub-grant, which will be more detailed and ultimately more useful to HSEMA. This change will also make it easier enforce compliance, as HSEMA will also send updates to jurisdictional leadership each quarter on the status of their projects, including whether or not the sub-grant status reports have been submitted.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-101	U.S. Department of Homeland Security Rail and Transit Security Grant Program CFDA Number: 97.075 Grant Awards: 2005-GB-T5-0004, 2006-RL-T6-0005 Grant Award Periods: 7/01/05-12/31/07, 10/01/06-3/31/09	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – During FY 2008, HSEMA had 4 subrecipients with expenditures charged to the 2005 and 2006 grant awards. The subrecipients were required to submit a monthly status report describing the accomplishments for the period. HSEMA used the monthly status reports as a way to monitor the subrecipients.

We noted that of the 4 subrecipients reviewed, 2 subrecipients did not submit all of the required monthly status reports to HSEMA.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements. The total number of subrecipients in FY 2008 was 4.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – HSEMA management is not adequately following up with the program managers to ascertain whether the monthly status reports have been received from the subrecipients.

Recommendation – We recommend that HSEMA establish a system to monitor and track the receipt of the monthly status reports to ensure that management has the reports to properly monitor its subrecipients.

Views of Responsible Officials and Planned Corrective Actions – HSEMA agrees that there were projects that had not submitted multiple monthly status reports. HSEMA recognizes that the monthly status reporting requirement placed on subgrantees was not an efficient manner to collect the desired information. For that reason, HSEMA is shifting to a quarterly status report for each sub-grant, which will be more detailed and ultimately more useful to HSEMA. This change will also make it easier enforce compliance, as HSEMA will also send updates to jurisdictional leadership each quarter on the status of their projects, including whether or not the sub-grant status reports have been submitted.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-102			

This finding # was not used.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-103	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A070051 Grant Award Period: 7/1/07-9/30/08	Allowable Costs: Payroll Activities	$134,849

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Further, the Circular states that where employees are expected to work solely on a single federal award or cost objective, charges for 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 semi-annually and must be signed by the employee or supervisory official having firsthand 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 should be supported by personnel activity reports or equivalent documentation.

Condition – The following exceptions were noted during our test work:

- Out of 12 payroll items requested, 10 items did not have any supporting documentation.
- Of the 2 payroll items where support was partially provided, OSSE was unable to provide evidence that proper time and effort certifications had been submitted for both these items. OSSE was also unable to provide a grade/step schedule for 1 of these items.

Context – This is a condition identified per review of OSSE's compliance with specified requirements and appears to be a systemic issue which has been identified in other OSSE programs as well. Total payroll expenditure transactions charged to the Title I program by OSSE in FY 2008 were $7,629,562. We reviewed 12 payroll expenditures totaling $134,849. The total amount related to the expenditures not supported and those without proper time and effort certifications, and for the item for which OSSE was unable to provide any grade/step schedule, was $134,849.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, the lack of proper A-87 certifications of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal award.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention policy.

Recommendation – We recommend that OSSE should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures related to federal grants are reviewed for allowability and properly approved.

It is also recommended that OSSE develop a central tracking system for the semi-annual certifications. The tracking system should include some written form of communication from program managers that acknowledges that they have prepared the required semi-annual certifications.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-104	U.S. Department of Education Special Education Cluster CFDA Number: 84.027, 84.173 Grant Award Number: H027A070010 Grant Award Period: 7/1/07-9/30/08	Allowable Costs: Payroll Activities	Below Reporting Threshold

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Further, the Circular states that where employees are expected to work solely on a single federal award or cost objective, charges for 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 semi-annually and must be signed by the employee or supervisory official having firsthand 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 should be supported by personnel activity reports or equivalent documentation.

Condition – There was no documentation available to verify a payroll item selected for testing.

Context – This is a condition identified per review of OSSE's compliance with specified requirements and appears to be a systemic issue which has been identified in other OSSE programs as well. We reviewed 1 payroll expenditure totaling $3,847. Total payroll expenditures charged to the Special Education Cluster program in FY 2008 were $1,110,268. The total amount related to documentation not being available to verify the selected payroll was $3,847.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, the lack of authorization and review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal awards.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention policy.

Recommendation – We recommend that OSSE should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures related to federal grants are reviewed for allowability and properly approved.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-105	U.S. Department of Education Career and Technical Education – Basic Grants to States CFDA Number: 84.048 Grant Award Number: V048A070051B Grant Award Period: 7/1/07-9/30/08	Allowable Costs: Payroll Activities	Below Reporting Threshold

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Further, the Circular states that where employees are expected to work solely on a single federal award or cost objective, charges for 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 semi-annually and must be signed by the employee or supervisory official having firsthand 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 should be supported by personnel activity reports or equivalent documentation.

Condition – OSSE was unable to provide a time and effort certification for 1 payroll item selected.

Context – This is a condition identified per review of OSSE' compliance with specified requirements and appears to be a systemic issue which has been identified in other OSSE programs as well. We reviewed 1 payroll expenditure totaling $3,058. Total payroll expenditures charged to the Career and Technical Education – Basic Grants to States program in FY 2008 were $188,936.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, the lack of authorization and review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal award.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention policy.

Recommendation – We recommend that OSSE should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures related to federal grants are reviewed for allowability and properly approved.

It is also recommended that OSSE develop a central tracking system for the semi-annual certifications. The tracking system should include some written form of communication from program managers that acknowledges that they have prepared the required semi-annual certifications.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-106			

This finding # was not used.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-107	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number: 93.596 Grant Award Number: G0801DCCCDF Grant Award Period: 10/1/07-9/30/08	Allowable Costs: Nonpayroll Activities	$77,840

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Condition – During FY 2008, the administration of the Child Care program was transferred from Department of Human Services (DHS) to OSSE. DHS incurred expenditures for the Child Care program during the year and these expenditures were transferred to OSSE through interagency transfers. During our review, OSSE was unable to provide supporting documentation for 1 nonpayroll transaction amounting to $77,840 out of 20 nonpayroll transactions selected for testing.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. We reviewed 20 nonpayroll expenditures totaling $4,847,193. Total nonpayroll expenditures charged to the Child Care program in FY 2008 were $7,431,586.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, the lack of authorization and review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal award.

Cause – OSSE did not properly document and retain in its accounting records the purpose and nature of the expenditures.

Recommendation – We recommend that OSSE should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures related to federal grants are reviewed for allowability and properly approved.

Views of Responsible Officials and Planned Corrective Actions – While management concurs with the finding, in the District of Columbia government all invoices for fixed costs are received and paid by the Office of Finance and Resource Management (OFRM). The costs are then allocated to the agencies. The agencies have no documentation for the fixed cost charges.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-108	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A070051 Grant Award Period: 7/1/07-9/30/08	Cash Management: Drawdown of Funds	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the Title I grant for the drawdown of funds:

- Administrative costs require the use of the fixed administrative allowance and a clearance pattern of 5 days.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Other non-payroll program payments will require the use of the average clearance funding technique and clearance pattern of 5 days and the amount of request shall be for the exact amount of that disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – OSSE made 11 drawdown requests totaling $27,054,299 during FY 2008. We selected 9 samples totaling $26,924,325. We noted that for all 9 items selected, there was no approval by the supervisor prior to submission of the requests. We also found that all of the drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

Context – This is a condition identified per review of OSSE's compliance with provisions of the CMIA agreement.

Effect – OSSE is not in compliance with the provisions of the CMIA agreement and overall cash management. OSSE'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 – OSSE did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs. It also appears that the review process over cash management was not functioning properly and as intended.

Recommendation – We recommend that OSSE should institute procedures to ensure compliance with the provisions of the CMIA agreement and request federal funds consistent with the funding techniques specified in the CMIA agreement and its actual cash needs. We also recommend that OSSE should develop written procedures for review of the drawdown process. These procedures should be consistently adhered to, for all drawdown requests.

Views of Responsible Officials and Planned Corrective Actions – In FY 2009, OSSE developed a draft drawdown policy and procedure which conforms to the Federal and District rules and regulations over cash management. The policy also is in compliance with the current Cash Management Improvement Act Agreement (CMIA). More importantly, the policy and procedures ensure that all drawdowns are internally authorized and are supported prior to execution.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-109	U.S. Department of Education Special Education Cluster CFDA Number: 84.027, 84.173 Grant Award Number: H027A070010 Grant Award Period: 7/1/07-9/30/08	Cash Management: Drawdown of Funds	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the Special Education grant for the drawdown of funds:

- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Other non-payroll program payments will require the use of the average clearance funding technique and clearance pattern of 5 days and the amount of request shall be for the exact amount of that disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – OSSE made 6 drawdown requests totaling $6,906,535 during FY 2008. We selected 3 samples totaling $6,015,862. We noted that for all items selected, there was no approval by the supervisor prior to submission of the requests. We also found that all of the drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

Context – This is a condition identified per review of OSSE's compliance with the provisions of the CMIA agreement.

Effect – OSSE is not in compliance with the provisions of the CMIA agreement and overall cash management. OSSE'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 – OSSE did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs. It also appears that the review process over cash management was not functioning properly and as intended.

Recommendation – We recommend that OSSE should institute procedures to ensure compliance with the provisions of the CMIA agreement and request federal funds consistent with the funding techniques specified in the CMIA agreement and its actual cash needs. We also recommend that OSSE should develop written procedures for review of the drawdown process. These procedures should be consistently adhered to, for all drawdown requests.

Views of Responsible Officials and Planned Corrective Actions – In FY 2009, OSSE developed a draft drawdown policy and procedures which conforms to the Federal and District rules and regulations over cash management. The policy also is in compliance with the current Cash Management Improvement Act Agreement (CMIA). More importantly, the policy and procedures ensure that all drawdowns are internally authorized and are supported prior to execution.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-110	U.S. Department of Education Improving Teacher Quality State Grants CFDA Number: 84.367 Grant Award Number: S367A070008 Grant Award Period: 7/1/07-9/30/08	Cash Management: Drawdown of Funds	Not Determinable

Criteria or Specific Requirement – Pursuant to A-102 Common Rule and 31 Code of Federal Regulation (CFR) Part 205, cash drawdown requests for federal funds must be supported and proper documentation maintained. It is also required that the amount of reimbursement request should be closely matched to the amount of the actual disbursement.

Further the Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and U.S. Department of Treasury requires that established funding techniques must be complied with when requesting federal funds. This requires the District to minimize the time that elapses between the disbursement to the vendor(s) and the request for reimbursement. It also requires that the amount of the reimbursement request shall match the amount of the actual disbursement.

Condition – OSSE did not make any drawdown requests for Title II program funds in FY 2008. This is because OSSE had not reconciled its revenues, receivables, and drawdowns during FY 2008. Consequently, OSSE was not in a position to make any drawdown requests until proper reconciliations were completed.

Context – This is a condition identified per review of OSSE's compliance with the specified requirements and appears to be a systemic issue identified in other OSSE programs as well.

Effect – OSSE used its local funds to carry out the purposes related to the Improving Teacher Quality State Grants during FY 2008. OSSE will request drawdowns after it completes the revenues, receivables, and drawdown reconciliation.

Cause – OSSE did not appear to exercise due diligence in reconciling its revenues, receivables, and drawdown requests related to the program.

Recommendation – We recommend that OSSE should request federal funds based on its actual expenditures. We further recommend that OSSE should institute procedures to ensure compliance with the provisions of the CMIA agreement and request federal funds consistent with the funding techniques specified in the CMIA agreement and its actual cash needs. We also recommend that OSSE should develop written procedures for review of the drawdown process. These procedures should be consistently adhered to, for all drawdown requests.

Views of Responsible Officials and Planned Corrective Actions – In FY 2009, OSSE developed a draft drawdown policy and procedure which conforms to the Federal and District rules and regulations over cash management. The policy also is in compliance with the current Cash Management Improvement Act Agreement (CMIA). More importantly, the policy and procedures ensure that all draw downs are internally authorized and are supported prior to execution.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-111	U.S. Department of Education Statewide Data Systems CFDA Number: 84.372 Grant Award Number: R372A070021 Grant Award Period: 8/1/07-9/30/08	Cash Management: Drawdown of Funds	Below Reporting Threshold

Criteria or Specific Requirement – Pursuant to A-102 Common Rule and 31 Code of Federal Regulations (CFR) Part 205, cash drawdown requests for federal funds must be supported and proper documentation maintained. It is also required that the amount of the reimbursement request should be closely matched to the amount of the actual disbursement. In addition, all requests for federal funds should be properly supported.

It is noted that this program is not subject to the Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Treasury.

Condition – During our testing, we noted that drawdowns had not been properly reviewed prior to requesting such drawdowns. We observed that in 1 selected instance totaling $1,117, there was no approval by the supervisor. According to the stated cash management procedures, drawdown requests are to be approved by a supervisor prior to submission of the request.

Further, a journal voucher has to be prepared to account for the drawdown after the request has been submitted, and the funds have been received. During our testing, we did not find the journal voucher to have been properly approved.

Context – This appears to be a systemic issue and has been identified in other OSSE programs as well. We reviewed 1 drawdown request totaling $1,117. Total FY 2008 drawdown requests for the Statewide Data Systems program by OSSE were $143,772.

Effect – OSSE is not in compliance with the provisions of OSSE's cash management procedures which could lead to erroneous drawdowns. Errors in drawdowns could in turn lead to suspension of funding.

Cause – OSSE did not appear to exercise due diligence in requesting federal funds consistent with its actual cash needs. There was inadequate review of the drawdown requests.

Recommendation – We recommend that OSSE should institute procedures to ensure overall compliance and request federal funds based on its actual cash needs. We also recommend that OSSE should develop written procedures for its drawdown process. Those procedures should be consistently adhered to, for all drawdown requests.

Views of Responsible Officials and Planned Corrective Actions – In FY 2009, OSSE developed a draft drawdown policy and procedure which conforms to the Federal and District rules and regulations over cash management. The policy also is in compliance with the current Cash Management Improvement Act Agreement (CMIA). More importantly, the policy and procedures ensure that all drawdowns are internally authorized and are supported prior to execution.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-112	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number: 93.596 Grant Award Number: G0801DCCCDF Grant Award Period: 10/1/07-9/30/08	Cash Management: Drawdown of Funds	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the Child Care Development Fund program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of request shall be for the exact amount of that disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Administrative payments require the use of the fixed administrative allowance funding technique and a clearance of 5 days.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – During FY 2008, the administration of the Child Care program was transferred from Department of Human Services (DHS) to OSSE. We reviewed 5 drawdown requests totaling $3,176,636. Total FY 2008 drawdown requests were $7,694,911. We noted the following:

- 5 drawdown requests reviewed were not in accordance with the District's CMIA agreement.
- Some of the expenses that supported 1 drawdown request were found not to have been paid before the date of the reimbursement request.

Context – This is a condition identified per review of OSSE's compliance with the provisions of the CMIA agreement.

Effect – OSSE is not in compliance with the provisions of the CMIA agreement. OSSE'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 – OSSE does not follow the CMIA agreement because it would require the Agencies to request reimbursement on a bi-weekly basis instead of on a weekly basis.

Recommendation – We recommend that management compare cash draws to expenditure reports ensuring that they are adequately supported. We further recommend that management ensure that cash draws are performed in accordance with the CMIA agreement.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that it is not in compliance with the Cash Management Improvement Act of 1990 (CMIA) agreement in regards to requesting timely reimbursement. The methodology that was implemented in 2007 required us to perform weekly drawdowns based on the EIS Grant Drawdown Worksheet report of expenditures in SOAR. Copies of the EIS report are distributed to the accountants who review it to determine how much is available to draw on a specific grant. Because of the volume of grants that comprise the budget, 100% adherence to the CMIA for non-personnel services is not feasible. The weekly draw which occurs once in a five day work week period, addresses the average clearance pattern.

Beginning in the latter half of FY 2008, cash requests are being made on Thursdays as opposed to the early part of the week to ensure funds are deposited to the District Treasury account by Friday, to meet the modified average clearance pattern for payroll expenditures.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-113	U.S. Department of Education	Eligibility	$154,088

Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Grant Award Number: S010A070051
Grant Award Period: 7/1/07-9/30/08

Criteria or Specific Requirement – A Local Educational Agency (LEA) must determine which school attendance areas are eligible to participate in the Title I Part A program. A school attendance area is generally eligible to participate if the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the LEA as a whole, or if the percentage is at least 35%. LEAs may also designate and serve a school in an ineligible attendance area if the percentage of children from low-income families enrolled in that school is equal or greater than the percentage of such children in a participating school attendance area. When determining eligibility, an LEA must select a poverty measure from among the following data sources: (1) the number of children ages 5-17 in poverty counted in the most recent census or; (2) the number of children eligible for free and reduced price lunches or; (3) the number of children in families receiving TANF or; (4) the number of children eligible to receive Medicaid assistance or; (5) a composite of these data sources. The LEA must use that measure consistently across the school district to rank all its school attendance areas according to their percentage of poverty.

An LEA must serve eligible schools or attendance areas in rank order according to their percentage of poverty. An LEA may serve, for one (1) additional year, an attendance area that is not currently eligible but that was eligible and served in the preceding year.

Condition – In FY 2008, OSSE allocated amounts to the LEAs based on the poverty status of the children attending these schools. During our review of OSSE's allocations to the District of Columbia Public Schools LEA and the charter school LEAs, we found that 4 charter school LEAs, out of a total sample of 53, had a poverty rate lower than 35% and/or a poverty rate that was lower than the low-income families enrolled in that school in a participating school attendance area.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. The Title I Part A allocated funds provided to these 4 non-eligible charter schools LEAs during the FY was $154,088. This resulted in a disallowed expenditure.

Effect – Allocation of Title I Part A funds to any ineligible attendance schools results in noncompliance with the applicable eligibility requirements.

Cause – It appears that OSSE has not complied with the required poverty measure in determining eligibility as stated in the compliance requirement.

Recommendation – OSSE should have a thorough review process over the analysis and distribution of Title I Part A funds by closely scrutinizing the poverty measure on data sources and applying that measure consistently across its LEAs.

Views of Responsible Officials and Planned Corrective Actions – OSSE agrees with the first exception taken in regards to the eligibility requirements for 4 public charter schools in question. It is important to note, however, that pursuant to D.C. law the test for Title I eligibility is applicable for DCPS but not for public charter schools.

A D.C. public charter school is eligible to receive Title I funds if its poverty rate is at least as high as the poverty rate for the lowest D.C. public school receiving Title I funds. As long as a public charter school matches or exceeds that poverty rate, it is eligible for Title I funds. For FY 2008, the lowest rate of a DCPS school was 29.54% given that one DCPS school was grandfathered into the eligibility requirement pursuant to the statute. Unfortunately, even following this rule, it appears that none of the four public charter schools were eligible to receive funds.

Since FY 2008, OSSE has instituted changes in the way that federal grants are managed that have had an impact in the agency's ability to allocate Title I funds consistent with the D.C. statutory formula. As a result of these changes, more than one public charter school that failed the above mentioned eligibility requirements did not receive Title I funds in the following grant cycle. OSSE continues to evaluate and improve its allocation policies and procedures and has taken concrete steps to ensure that allocations are made consistent with programmatic requirements.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-114	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number: 93.596 Grant Award Number: G0801DCCCDF Grant Award Period: 10/1/07-9/30/08	Eligibility	Not Determinable

Criteria or Specific Requirement – The Child Care program subsidizes child care expenses for eligible participants. The federal payment is the difference between daily child care expenses and the participant's co-payment amount. The Child Care program also requires a participant's eligibility to be reassessed on an annual basis.

Condition – During FY 2008, the administration of the Child Care program was transferred from Department of Human Services (DHS) to OSSE. In our review of 77 participant cases, we identified the following:

- OSSE calculated 3 participant co-payments correctly in its case files. However, OSSE had not updated its system to reflect the correct co-payment amounts.
- The eligibility redetermination for 1 participant was not performed on an annual basis.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – The use of incorrect co-payment amounts in eligibility determinations may result in the Federal government paying more than its required share. In addition, the untimely performance of eligibility redeterminations may result in payments to providers for ineligible participants.

Cause – OSSE is not performing periodic reviews of the data in its participant database.

Recommendation – We recommend OSSE perform periodic reviews of the data in its participant database to ensure that data is accurate and complete. We also recommend OSSE ensure that eligibility redeterminations are performed on a timely basis.

Views of Responsible Officials and Planned Corrective Actions – The following responses were provided with respect to the conditions noted above:

Case #1 (SB) - The co-payment amount was correctly computed at the onset of the services and the Provider charged the correct rate for services. The correct co-payment amount was indicated in the OSSE case files but the Provider failed to update the tracking database to indicate this correct co-payment amount. The provider was relocating to an alternative site and was having information technology difficulties.

Case #2 (PD) - A Father applied for subsidized child care services in December 2007 for two children. At that time, he attended a University using a student loan and based on income no co-payment for child care services was assessed. Subsequently, an eligibility re-determination was performed and it was determined that the Mother's income should be included in the eligibility determination. The provider performed a new eligibility determination including the mother's income. The provider assigned the corrected co-payment amount for the child care services as of September 2008. A retroactive increase to the parents' co-payment amount could not be made for services. Parents must receive advance notification of any adverse action, including increases in their co-payment amount.

Case #3 (NG) - In October 2008, an eligibility re-determination was conducted by D.C. Parks and Recreation; however, the re-determination was due to be completed in May 2008. For this case, a data field within the review tracking database was not completed which resulted in this eligibility re-determination being performed 5 months late.

Corrective Action Plans:

Cases #1 and #2 - Both cases involved providers that are classified as Level II. The payment made by the District to all Level II providers is the full daily contract rate with no deductions made for the parent's co-payment amount. The District pays the parent's co-payment amount directly to the providers. In both cases the payment from ECE to the provider was not affected nor did it affect the eligibility determination. This is standard procedure and does not constitute an overpayment. Eligibility Monitors are conducting monthly monitoring of the provider database and will continue their annual visits to each Level II Provider to evaluate 100% of the eligibility records with all aspects of eligibility, including the correct computation of fees and their entry into the database.

Case #3 - The re-determination review was completed and the customer was deemed eligible for services from the onset. The initial eligibility determination was correct. Providers were instructed to conduct monthly monitoring of the database to ensure that data fields are entered completely and eligibility re-determinations are current. Eligibility Monitors are also conducting monthly monitoring of the database and will continue their annual visits to providers to evaluate 100% of the eligibility records with all aspects of eligibility, including the correct computation of fees and their entry into the database.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-115	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A070051 Grant Award Period: 7/1/07-9/30/08	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources".

Condition – OSSE was not able to provide evidence of its compliance with the supplement not supplant compliance requirement.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – OSSE was not able to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support OSSE being in compliance.

Cause – OSSE has not set up its system to separately track the amount of local expenditures incurred on a per program level. OSSE only tracks, through SOAR, the District's accounting system of record, the amount of federal grant expenditures on a consolidated basis. Therefore, the systems at OSSE cannot provide information on whether supplanting has occurred on a grant by grant basis.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. OSSE must set up a process to track funds on both a federal and a non-federal basis, on a grant by grant basis. This should be monitored and reviewed at regular intervals. If there is any supplanting, the OSSE local funding allocation should be increased for the concerned programs to ensure that no actual supplanting is occurring.

Views of Responsible Officials and Planned Corrective Actions – OSSE disagrees with the statements made in various sections of this finding because OSSE does have a system to track local expenditures incurred at a program level.

State and local educational agencies are required to use Title I, Part A funds "only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds." 20 U.S.C. 6321(b)(1).

In other words, Title I, Part A funds generally cannot be used to pay for costs that would otherwise be paid for with state or local funds.

As the U.S. Department of Education (USDE) has recognized, determining whether a particular cost constitutes supplanting depends on individual facts and circumstances:

- In its February 2008 Non-Regulatory Guidance on Title I Fiscal Issues, USDE stated, "keep in mind that any determination about supplanting is very case specific and it is difficult to provide general guidelines without examining the details of a situation."

- In an October 13, 2004 webcast entitled "Key Title I Fiscal Issues: Supplement, Not Supplant" one USDE official stated "one of the reasons that it's [supplement, not supplant] so hard to deal with is that it's very case specific. You have to have all the details and circumstances in an individual situation to make a call about whether "supplement, or not supplant" applies." Another official stated supplement not supplant "sounds like a very simple requirement, but . . . it's very fact specific. And, you really can't talk about it well in general terms because it is so dependent upon the facts of the specific situation."

Because a supplanting analysis is so fact specific, both the USDE's Non-Regulatory Guidance and the OMB Circular A-133 Compliance Supplement direct auditors to apply three presumptions to determine whether an individual cost constitutes supplanting:

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA is required to make available under other federal, state, or local laws.

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA provided with state or local funds in the prior year.

- A supplanting violation is presumed when an SEA or LEA uses Title I, Part A to provide the same services to Title I students that the LEA or SEA provides with state or local funds to nonparticipating students.

Thus, a supplanting analysis must be based on the specific facts and circumstances surrounding a particular cost.

OSSE has taken steps to ensure costs comply with federal supplanting restrictions. In school year 2007-2008 local educational agencies (LEAs), including the District of Columbia Public Schools LEA, provided assurance they would comply with the supplement not supplant requirement as a condition of receiving federal funds under the consolidated application for major NCLB programs. The 2008-2009 consolidated application continues to include this assurance, and OSSE has also provided guidance to LEAs on the supplement not supplant requirements.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-116			

This finding # was not used.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-117	U.S. Department of Education Career and Technical Education – Basic Grants to States CFDA Number: 84.048 Grant Award Number: V048A070051B Grant Award Period: 7/1/07-9/30/08	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources".

Condition – OSSE was not able to provide evidence of its compliance with the supplement not supplant compliance requirement.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – OSSE was not able to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support OSSE being in compliance.

Cause – OSSE has not set up its system to separately track the amount of local expenditures incurred on a per program level. OSSE only tracks, through SOAR, the District's accounting system of record, the amount of federal grant expenditures on a consolidated basis. Therefore, the systems at OSSE cannot provide information on whether supplanting has occurred on a grant by grant basis.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. OSSE must set up a process to track funds on both a federal and a non-federal basis, on a grant by grant basis. This should be monitored and reviewed at regular intervals. If there is any supplanting, the OSSE local funding allocation should be increased for the concerned programs to ensure that no actual supplanting is occurring.

Views of Responsible Officials and Planned Corrective Actions – OSSE disagrees with the statements made in various sections of this finding because OSSE does have a system to track local expenditures incurred at a program level.

State Educational Agencies are required to use CTE funds "to supplement and shall not supplant, non-Federal funds expended to carry out career and technical education activities and tech prep program activities." 20 U.S.C. 9251(a).

In other words, CTE funds generally cannot be used to pay for costs that would otherwise be paid for with state or local funds.

Because a supplanting analysis is so fact specific, both the U.S. Department of Education's (USDE) Non-Regulatory Guidance and the OMB Circular A-133 Compliance Supplement direct auditors to apply three presumptions to determine whether an individual cost constitutes supplanting:

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA is required to make available under other federal, state, or local laws.

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA provided with state or local funds in the prior year.

- A supplanting violation is presumed when an SEA or LEA uses Title I, Part A to provide the same services to Title I students that the LEA or SEA provides with state or local funds to nonparticipating students.

Thus, a supplanting analysis must be based on the specific facts and circumstances surrounding a particular cost.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-118	U.S. Department of Education Career and Technical Education – Basic Grants to States CFDA Number: 84.048 Grant Award Number: V048A070051B Grant Award Period: 7/1/07-9/30/08	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – A State must maintain its fiscal effort in the preceding year from State sources for the Career and Technical Education program, on either an aggregate or a per-student basis when compared with such effort in the second preceding year, unless this requirement is specifically waived by the Secretary of Education.

In computing the fiscal effort or aggregate expenditures, a State must exclude capital expenditures, special one-time project costs, and the cost of pilot programs.

In addition, a State must provide from non-Federal sources for State administration under the Perkins Act, an amount that is not less than the amount provided by the State from non-Federal sources for State administrative costs for the preceding fiscal or program year.

Condition – Due to the shifting of resources and accounting to OSSE from the District of Columbia Public Schools, OSSE was required to initiate and maintain records in accordance with the Maintenance of Effort (MOE) guidelines to show how it had met the requirements. Since OSSE received significantly less local funding than DCPS, it was unable to meet the requirements related to the MOE in FY 2008. Further, OSSE did not maintain any accounting of its local expenditures to address the MOE requirement.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – OSSE was not able to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support OSSE being in compliance.

Cause – OSSE did not have a policy or procedure in place for meeting the maintenance of effort requirements. There was no review of the requirement during the year.

Recommendation – OSSE should determine a methodology for ensuring that the local maintenance of effort has remained consistent from year to year. A policy should be instituted that will analyze the local funds used for the Career and Technical Education programs and measure them against the local funds used in prior years.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-119	U.S. Department of Education Career and Technical Education – Basic Grants to States CFDA Number: 84.048 Grant Award Number: V048A070051B Grant Award Period: 7/1/07-9/30/08	Matching, Level of Effort, Earmarking	$61,449

Criteria or Specific Requirement – In accordance with the OMB Circular A-133 Compliance Supplement, OSSE must set aside for secondary and postsecondary career and technical education programs an amount of not less than 85% of the grant award received. OSSE must distribute all of these funds to its subrecipients.

Condition – During our review of the budget loaded into SOAR, the District's accounting system of record, we noted that $3,521,234 had been set aside for secondary and postsecondary institutions. Per the grant award, the specified grant for the period was $4,214,921 and 85% of that amount (i.e. $3,582,683), should have been set aside.

OSSE earmarked only 83.5% of the grant award for secondary and postsecondary institutions. Consequently, there was a shortfall in allocation by $61,449.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – Grant funds may not have been fully utilized for their intended purpose.

Cause – There appeared to be inadequate review over the allocation and distribution of funds to the secondary and postsecondary institutions.

Recommendation – We recommend that OSSE should develop procedures and policies to ensure that such critical allocations are reviewed and properly reflected in the accounting system.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-120	U.S. Department of Education Improving Teacher Quality State Grants CFDA Number: 84.367 Grant Award Number: S367A070008 Grant Award Period: 7/1/07-9/30/08	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources".

Condition – OSSE was not able to provide evidence of its compliance with the supplement not supplant compliance requirement.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – OSSE was not able to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support OSSE being in compliance.

Cause – OSSE has not set up its system to separately track the amount of local expenditures incurred on a per program level. OSSE only tracks, through SOAR, the District's accounting system of record, the amount of federal grant expenditures on a consolidated basis. Therefore, the systems at OSSE cannot provide information on whether supplanting has occurred on a grant by grant basis.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. OSSE must set up a process to track funds on both a federal and a non-federal basis, on a grant by grant basis. This should be monitored and reviewed at regular intervals. If there is any supplanting, the OSSE local funding allocation should be increased for the concerned programs to ensure that no actual supplanting is occurring.

Views of Responsible Officials and Planned Corrective Actions – OSSE disagrees with the statements made in various sections of this finding because OSSE does have a system to track local expenditures incurred at a program level.

State and local educational agencies are required to use Title II, Part A funds "to supplement, and not supplant, non-federal funds that would otherwise be used" for allowable activities. 20 U.S.C. §§ 6613(f), 6623(b). In other words, Title II, Part A funds generally cannot be used to pay for costs that would otherwise be paid for with state or local funds.

As the U.S. Department of Education (USDE) has recognized, determining whether a particular cost constitutes supplanting depends on individual facts and circumstances:

- In its February 2008 Non-Regulatory Guidance on Title I Fiscal Issues, USDE stated, "keep in mind that any determination about supplanting is very case specific and it is difficult to provide general guidelines without examining the details of a situation."

- In an October 13, 2004 webcast entitled "Key Title I Fiscal Issues: Supplement, Not Supplant" one USDE official stated "one of the reasons that it's [supplement, not supplant] so hard to deal with is that it's very case specific. You have to have all the details and circumstances in an individual situation to make a call about whether "supplement, or not supplant" applies." Another official stated supplement not supplant "sounds like a very simple requirement, but . . . it's very fact specific. And, you really can't talk about it well in general terms because it is so dependent upon the facts of the specific situation."

Because a supplanting analysis is so fact specific, both the USDE's Non-Regulatory Guidance and the OMB Circular A-133 Compliance Supplement direct auditors to apply two presumptions to determine whether an individual cost constitutes supplanting:

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA is required to make available under other federal, state, or local laws.

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA provided with state or local funds in the prior year.

Thus, a supplanting analysis must be based on the specific facts and circumstances surrounding a particular cost.

OSSE has taken steps to ensure costs comply with federal supplanting restrictions. In school year 2007-2008 local educational agencies (LEAs), including the District of Columbia Public Schools LEA, provided assurance they would comply with supplement not supplant requirement as a condition of receiving federal funds under the consolidated application for major NCLB programs. The 2008-2009 consolidated application continues to include this assurance and OSSE has also provided guidance to LEAs on the supplement not supplant requirements.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-121	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number: 93.596 Grant Award Number: G0701DCCCDF Grant Award Period: 10/1/07-9/30/08	Period of Availability	$1,226,816

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement, Child Care matching funds must be obligated by the end of the fiscal year in which they are awarded, and expended by the end of the succeeding fiscal year after award (45 CFR section 98.60(d)).

Condition – During FY 2008, the administration of the Child Care program was transferred from Department of Human Services (DHS) to OSSE. The remaining unexpended matching funds from the FY 2007 grant award for matching funds were transferred by DHS to OSSE in FY 2008. The matching funds were expended in FY 2008 and the expenditures amounted to $1,226,816. However, OSSE combined these expenditures with the discretionary funds and they were not tracked separately in the accounting records.

Even though journal entries were provided to support the matching funds of $1,226,816, OSSE was not able to provide the underlying details of the journal entries and details of the expenditures in order to provide conclusive evidence that the funds were properly obligated and expended in the correct period.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – We were unable to determine if the remaining unexpended FY 2007 grant award for matching funds had been properly obligated by the end of FY 2007 and whether the expenditures were properly expended in FY 2008.

Cause – OSSE believed that all of the FY 2007 grant award funds that were transferred from DHS were related to discretionary funds.

Recommendation – We recommend OSSE track the different types of mandatory and matching funds separately in its accounting records. OSSE should have adequate policies and procedures to ensure and support that matching funds are obligated by the end of the fiscal year in which they are awarded, and expended by the end of the succeeding fiscal year after award.

Views of Responsible Officials and Planned Corrective Actions – OSSE's accounting structure is able to track matching versus discretionary funds utilizing different index codes. The matching funds index code is FQCD7 as indicated in the grant award expenditure report. A copy of this report is available for review.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-122	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A070051 Grant Award Period: 7/1/07-9/30/08	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

In addition, effective April 2007, a directive policy on procurement was issued that requires a determination letter to be made, showing reasonableness of price in making the procurement award.

Condition – We identified the following during our testing:

- For 1 insignificant procurement sample, OSSE was unable to provide supporting documentation.
- For 9 procurement samples, OSSE was unable to provide support that it had carried out a search that the vendor had not been debarred or suspended from providing services where federal funds are utilized.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. We reviewed 14 procurement files totaling $2,327,108.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. OSSE 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 OSSE could possibly issue procurements without the appropriate funding.

Cause – The procurement office has not properly maintained documentation in contract files, and it appears that policies and procedures related to documentation were not functioning as intended.

Recommendation – We recommend OSSE develop detailed quality assurance policies and procedures that focus on ensuring that all procurement actions processed are properly documented and supported in accordance with federal laws and regulations. In addition, we recommend that OSSE review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-123	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number: 93.596 Grant Award Number: G0801DCCCDF Grant Award Period: 10/1/07-9/30/08	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – Office of Management and Budget Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate with these requirements.

Condition – During FY 2008, the administration of the Child Care program was transferred from Department of Human Services (DHS) to OSSE. In our review of 8 procurement files related to the Child Care grant, OSSE was unable to provide 7 procurement files. The total amount of purchase orders for the 7 procurement files that were not provided was $1,217,454.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. The total amount of the expenditures for the 8 procurement files reviewed was $1,232,792.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. OSSE 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 OSSE could possibly issue procurements without the appropriate funding.

Cause – OSSE's policies and procedures related to procurement documentation and file retention were not functioning as intended.

Recommendation – We recommend OSSE develop detailed quality assurance policies and procedures that focus on ensuring that all procurement actions processed are properly documented and supported in accordance with federal laws and regulations. In addition, we recommend that OSSE review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – See below for responses from both the Office of Contracting and Procurement (OCP) and OSSE.

OCP's Response:

OCP recognizes the importance of maintaining complete and accurate files, and took steps in January 2009 to improve file management practices. A new File Management Specialist was hired to oversee a secure and centralized file room, file management procedures were created, and internal auditing controls for file completion were improved.

Under new procedures, all files submitted or removed from the file room are tracked through a file room database log and are subject to an OCP file checklist to ensure each file contains appropriate documentation, including evidence that the awarded price is fair and reasonable.

OSSE's Response:

Of the 7 files in question, 6 contract files are now available at OSSE, Office of Early Childhood Education. The remaining file, for Bright Horizons Children's Center, only involved local funding.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-124	U.S. Department of Education	Reporting	Not Determinable

Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Grant Award Number: S010A070051
Grant Award Period: 7/1/07-9/30/08

Criteria or Specific Requirement – Reports for federal awards should include all activity of the reporting period and should be supported by applicable accounting records. They should also be presented in accordance with program specifications. Each year, a State Educational Agency (SEA) must submit its average State Per Pupil Expenditure (SPPE) data to the National Center for Education Statistics (NCES). This SPPE data is used by the U.S. Department of Education to make allocations under several Elementary and Secondary Education Act (ESEA) programs. The SPPE data is provided by OSSE with a one-year lag.

Condition – OSSE's Title I expenditures for FY 2007 as presented in Section 7 of the SPPE report were approximately $79.66 million while the summary of federal expenditures for Title I as reflected on the FY 2007 Schedule of Expenditures of Federal Awards were approximately $59.16 million. There is a difference in the expenditures reported to NCES by approximately $20.50 million.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – The report generated by OSSE is not accurate.

Cause – There was inadequate review by OSSE prior to releasing the report. The information extracted from SOAR, the District's accounting system of record, in the preparation of the SPPE report did not appear to have been reviewed.

Recommendation – We recommend OSSE should maintain all supporting documentation for the expenditures and amounts reflected in the financial reports and verify consistency of the information with other reports issued to other agencies. We also recommend that OSSE's financial reports should be reconciled with SOAR and reviewed by a responsible official prior to release.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-125			

This finding # was not used.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-126			

This finding # was not used.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-127			

This finding # was not used.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-128			

This finding # was not used.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-129			

This finding # was not used.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-130			

This finding # was not used.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-131	U.S. Department of Education	Subrecipient Monitoring	Not Determinable

Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Grant Award Number: S010A070051
Grant Award Period: 7/1/07-9/30/08

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; (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 – We noted that there was inadequate monitoring over the Local Educational Agencies (LEA) and OSSE did not properly perform a review of expenditures of its LEAs that received funds during FY 2008. Further, there was limited evidence that OSSE had verified the accuracy of reports submitted by the LEAs to OSSE. OSSE provided evidence that it had the ability to extract expenditure reports; however, no conclusive evidence was available that a quantitative review was performed to verify whether the expenditures incurred by the LEAs were allowable.

We noted the following instances during our testing over OSSE's monitoring of its primary LEA, the District of Columbia Public Schools:

- Vendor invoices had not been reviewed and expenditures had not been properly approved by the LEA.
- The LEA processed certain payroll data but did not have supporting documentation.
- There were missing time and effort certifications that the LEA was required to submit to the Department of Education. In other instances, the LEA had not submitted the certifications on a timely basis.
- The LEA had processed certain payroll default entries and there was no detail available to show which employees made up these entries.
- The LEA had recorded certain expenditures that did not agree with the general ledger.
- There was a lack of conclusive evidence that LEA supplanting had not occurred on a grant by grant basis.
- In 1 instance, the LEA had expensed more than the amount of the related purchase order.
- There were instances where the LEA was unable to provide support that it had carried out a search that the vendor had not been debarred or suspended from providing services where federal funds were utilized.

- In certain instances, the LEA had not complied with the requirements related to highly qualified teachers and paraprofessionals.

Additionally, during our testing of subrecipient payments, we noted that there were 3 instances where the payments made to the subrecipients exceeded the allocated amounts for the specific subrecipient tested. OSSE was unable to provide evidence that these excess payments had been properly authorized.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. The total number of subrecipients in FY 2008 was 53.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – It appears that the monitoring procedures were not applied as was intended by the stated policies. It also appears that comprehensive policies and procedures are not in place to ensure adequate control over subrecipient activities.

Recommendation – OSSE should establish and adhere to its policies and procedures to ensure that it is appropriately monitoring subrecipient activities. OSSE should set up a detailed process for monthly review of DCPS reports and activities to ensure it is fulfilling its fiduciary responsibility to the U.S. Department of Education. In performing the monitoring function, OSSE should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of financial requirement, etc.).
- Consideration of site visits, when appropriate.
- System for monitoring and follow-up with DCPS, if DCPS is not 100% in compliance with the 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.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-132	U.S. Department of Education	Subrecipient Monitoring	Not Determinable

Special Education Cluster
CFDA Number: 84.027, 84.173
Grant Award Number: H027A070010
Grant Award Period: 7/1/07-9/30/08

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; (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 maintained and retained in accordance with OMB Circular A-102.

Condition – We noted that there was inadequate monitoring over the Local Educational Agencies (LEA) and OSSE did not properly perform a review of expenditures of its LEAs that received funds during FY 2008. Further, there was limited evidence that OSSE had verified the accuracy of reports submitted by the LEAs to OSSE. OSSE provided evidence that it had the ability to extract expenditure reports; however, no conclusive evidence was available that a quantitative review was performed to verify whether the expenditures incurred by the LEAs were allowable.

We noted the following instances during our testing over OSSE's monitoring of its primary LEA, the District of Columbia Public Schools:

- The LEA processed certain payroll data but did not have supporting documentation.
- There were missing time and effort certifications that the LEA was required to submit to the Department of Education. In other instances, the LEA had not submitted the certifications on a timely basis.
- There was a lack of conclusive evidence that LEA supplanting had not occurred on a grant by grant basis.
- The LEA could not provide evidence of its compliance with the stated maintenance of effort requirement.

Additionally, OSSE has specific requirements that subrecipients have to submit monthly expenditure reports by the 5th of the following month. This requirement is included in the grant award letters to the subrecipients. However, during our review, OSSE was unable to provide the reports received from the District of Columbia Public Schools LEA for the specific month selected for testing. There was no evidence that appropriate information had been received, managed, retained, and archived properly.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. The total number of subrecipients in FY 2008 was 36.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – It appears that the monitoring procedures were not applied as was intended by the stated policies. It also appears that comprehensive policies and procedures are not in place to ensure adequate control over subrecipient activities.

Recommendation – OSSE should establish and adhere to its policies and procedures to ensure that it is appropriately monitoring subrecipient activities. OSSE should set up a detailed process for monthly review of DCPS reports and activities to ensure it is fulfilling its fiduciary responsibility to the U.S. Department of Education. In performing the monitoring function, OSSE should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of financial requirement, etc.).
- Consideration of site visits, when appropriate.
- System for monitoring and follow-up with DCPS, if DCPS is not 100% in compliance with the 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.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-133	U.S. Department of Education Career and Technical Education – Basic Grants to States CFDA Number: 84.048 Grant Award Number: V048A070051B Grant Award Period: 7/1/07-9/30/08	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; (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 maintained and retained in accordance with OMB Circular A-102.

Condition – We noted that there was inadequate monitoring over the Local Educational Agencies (LEA) and OSSE did not properly perform a review of expenditures of its LEAs that received funds during FY 2008. Further, there was limited evidence that OSSE had verified the accuracy of reports submitted by the LEAs to OSSE. OSSE provided evidence that it had the ability to extract expenditure reports; however, no conclusive evidence was available that a quantitative review was performed to verify whether the expenditures incurred by the LEA were allowable.

We noted the following instances during our testing over OSSE's monitoring of its primary LEA, the District of Columbia Public Schools:

- The LEA had no supporting documentation for a vendor expenditure.
- There were missing time and effort certifications that the LEA was required to submit to the Department of Education. In other instances, the LEA had not submitted the certifications on a timely basis.
- There was a lack of conclusive evidence that LEA supplanting had not occurred on a grant by grant basis.

We also noted that OSSE did not properly perform any site visits or review of expenditures of subrecipients that received funds during FY 2008. OSSE provided documentation of several meetings with the University of the District of Columbia; however, there was no documentation that the CTE program was quantitatively evaluated. The District of Columbia Public Schools LEA was only notified of the subgrant on June 30, 2008 for program years 2007 and 2008.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. The total number of subrecipients in FY 2008 was 6.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – It appears that the monitoring procedures were not applied as was intended by the stated policies. It also appears that comprehensive policies and procedures are not in place to ensure adequate control over subrecipient activities.

Recommendation – OSSE should establish and adhere to its policies and procedures to ensure that it is appropriately monitoring subrecipient activities. OSSE should set up a detailed process for monthly review of DCPS reports and activities to ensure it is fulfilling its fiduciary responsibility to the U.S. Department of Education. In performing the monitoring function, OSSE should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of financial requirement, etc.).
- Consideration of site visits, when appropriate.
- System for monitoring and follow-up with DCPS, if DCPS is not 100% in compliance with the 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.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-134	U.S. Department of Education Improving Teacher Quality State Grants CFDA Number: 84.367 Grant Award Number: S367A070008 Grant Award Period: 7/1/07-9/30/08	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; (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 maintained and retained in accordance with OMB Circular A-102.

Condition – We noted that there was inadequate monitoring over the Local Educational Agencies (LEA) and OSSE did not properly perform a review of expenditures of its LEAs that received funds during FY 2008. Further, there was limited evidence that OSSE had verified the accuracy of reports submitted by the LEAs to OSSE. OSSE provided evidence that it had the ability to extract expenditure reports; however, no conclusive evidence was available that a quantitative review was performed to verify whether the expenditures incurred by the LEAs were allowable.

We noted the following instances during our testing over OSSE's monitoring of its primary LEA, the District of Columbia Public Schools:

- The LEA processed certain payroll data which did not have supporting documentation.
- There were missing time and effort certifications that the LEA was required to submit to the Department of Education. In other instances, the LEA had not submitted the certifications on a timely basis.
- There was a lack of conclusive evidence that LEA supplanting had not occurred on a grant by grant basis.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. The total number of subrecipients in FY 2008 was 55.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – It appears that the monitoring procedures were not applied as was intended by the stated policies. It also appears that comprehensive policies and procedures are not in place to ensure adequate control over subrecipient activities.

Recommendation – OSSE should establish and adhere to its policies and procedures to ensure that it is appropriately monitoring subrecipient activities. OSSE should set up a detailed process for monthly review of DCPS reports and activities to ensure it is fulfilling its fiduciary responsibility to the U.S. Department of Education. In performing the monitoring function, OSSE should ensure that it documents the:

- Scope, timing, and results of its review (inspection, review of management documentation, review of performance requirements, review of financial requirement, etc.).
- Consideration of site visits, when appropriate.
- System for monitoring and follow-up with DCPS, if DCPS is not 100% in compliance with the 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.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-135	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number: 93.596 Grant Award Number: G0801DCCCDF Grant Award Period: 10/1/07-9/30/08	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; (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 maintained and retained in accordance with OMB Circular A-102.

Condition – During FY 2008, the administration of the Child Care program was transferred from Department of Human Services (DHS) to OSSE. We reviewed 25 Level II providers under the Child Care program and noted that OSSE had not properly monitored its providers. More specifically, OSSE:

- Had not received the required OMB Circular A-133 audit reports for 10 providers.
- Had not identified federal award information in the grant agreements for 25 providers.
- Was not able to provide evidence of site visits for 3 providers.
- Had no evidence of follow-up on deficiencies noted during site visits for 1 provider.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. The total number of Level II providers in FY 2008 was 45.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – OSSE's subrecipient monitoring procedures and controls do not address the requirements for identifying federal award information to subrecipients and the submission of Single Audit reports. Monitoring procedures were not applied as were intended.

Recommendation – We recommend OSSE revise its subrecipient monitoring procedures and controls to address the identification of federal award information to subrecipients and the submission of OMB Circular A-133 audit reports for those applicable subrecipients.

We also recommend OSSE perform periodic reviews of the scheduled monitoring visits to ensure that the monitoring has been adequately performed. In performing the monitoring function, OSSE should ensure that it documents:

- 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 the requirements.

Views of Responsible Officials and Planned Corrective Actions – OSSE, Office of Early Childhood Education (ECE) concurs with the findings with explanation and has actively taken appropriate corrective action steps.

(1) Provider files lacked the A-133 Single Audit Reports.

As stipulated in the Provider Issuance (policy), ECE requires providers, who receive federal payments from ECE for $500,000 or more, to submit single audit report in accordance with the OMB Circular A-133 Certification. ECE staff continues to provide extensive technical assistance to providers regarding the requirements for submitting timely single audit report, including the acceptable format and contents of a single audit report.

A. Requirement Added To The Agreement

In addition to the Provider Issuance, the requirements for submitting a single audit report to ECE for providers receiving over $500,000 in federal funding have been added to the 2009-2010 Level II provider agreement.

B. Training

ECE, in collaboration with a certified public accountant, held seven (7) training sessions to assist ECE staff, providers and grantees with the basic understanding of requirements of Financial Statements and A-133 Single Audit reports. These mandatory training sessions focused on auditing with specific emphasis on the process and requirements of A-133 Single Audit, and the format and contents of an acceptable A-133 Single Audit report. All training participants received instruction on establishing an internal control and accounting system, and on selecting an external, independent auditor. Participants also received sample financial statements and Single Audit reports. All providers, grantees, and ECE staff received training clock hours.

C. Internal Control

For providers that meet A-133 single audit requirements, the School Preparedness Division (SPD) has:

(i) Set up a calendar of audit report due date (based on the fiscal year of each provider) to ensure timely receipt of the audit report;
(ii) Tracked the single audit reports received from providers; and
(iii) Tracked the single audit reports reviewed and accepted by SPD monitors, supervisors, and the director for compliance and crosschecked with the OMB Circular A-133 Certification requirements. Appropriate corrective action will be taken to ensure ongoing compliance by providers.

D. Reporting

SPD will submit quarterly reports on the status of acceptable A-133 single audit reports received from providers to the ECE Analysis and Reporting Division (ARD). The ARD will monitor compliance by the SPD.

(2) Provider agreement lacked Federal grant identification information.

The federal grant award identification number(s) are included in all agreements for providers in the Child Care Subsidy Program beginning with the renewal period on October 1, 2008.

However, ECE has added the following additional information to the agreements for providers beginning with the renewal period on July 1, 2009, and in all other types of provider agreements: CFDA title and number; award name; name of funding federal agency; the requirement to have a Single Audit if program expenditures are over $500,000; and the necessity to comply with the federal program requirements identified at Code of Federal Regulations.

(3) Missing Provider Site Visit and Follow-up Visit Reports.

ECE was aware of this deficiency and is actively working with monitoring staff to take appropriate and timely corrective action. This process is on-going.

The SPD and the Program Monitoring Unit (PMU), in particular, were severely under-staffed in FY 2008. Two (2) of the 10 education services monitor positions were vacant, and one education service monitor had frequent absences due to medical reasons. The SPD was without permanent management staff for the entire FY 2008, restricting ECE's ability to ensure that all providers were monitored with timely follow-up visits (when warranted), and that the monitoring reports were completed and filed. Additionally, SPD relocated in September of 2008 and some records might have been misplaced or misfiled during the process. The missing site visit and follow-up reports were in the caseload of a retired monitor.

ECE has taken the following corrective action to ensure that all required monitoring site visits and follow-up visits occur according to policy and that monitoring visit reports are completed on time and filed correctly:

A. The two (2) vacant management positions have been filled. The PMU supervisory education services monitor reported in February 2009 and the SPD director reported in August 2009. There is currently one vacant education services monitor position.

B. The PMU supervisor is working with the education services monitors to revise current tracking and monthly statically data to track monitoring visits and reports to ensure timeliness and accountability.

C. The PMU supervisor holds regular individual and group staff meetings to discuss accomplishments and challenges and identify solutions to provide support and enhance staff performance and compliance with policies.

D. Each monitor will continue to submit a schedule for monitoring visits to the supervisor for review and guidance.

E. Support staff has set up a database to track all visits completed and the receipt of visit reports by monitor.

F. SPD will submit monthly statistical reports that will include information on monitoring visits and site visit reports and trend data to the Analysis and Reporting Division. The ARD will monitor compliance by SPD.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-136	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A070051 Grant Award Period: 7/1/07-9/30/08	Allowable Costs: Nonpayroll Activities	$18,443

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Condition – The following exceptions were noted during our review of 32 nonpayroll transactions selected for testing:

- For 2 items, DCPS was unable to provide the related vendor invoices. Hence, the nature of expenditure could not be verified.
- For 1 item, there was no documentation that the expenditure was approved.

Context – This is a condition identified per review of DCPS' compliance with specified requirements. Total nonpayroll expenditures charged to the Title I program by DCPS in FY 2008 were $13,513,038. We reviewed 32 of the nonpayroll expenditure transactions totaling $213,807. The total amount related to the unavailable vendor invoices was $18,443.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenditures claimed as federal expenditures. Furthermore, the lack of proper approval may lead to expenditures being incurred which are not allowed under the conditions of the federal award.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention policy.

Recommendation – We recommend that DCPS should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures related to federal grants are reviewed for allowability and properly approved. We also recommend that DCPS should provide proper accounting and support prior to receiving funding from the Office of the State Superintendent of Education (OSSE).

Views of Responsible Officials and Planned Corrective Actions – DCPS concurs that the invoices were not provided. We will employ our current electronic filing guidelines to ensure that documents are properly maintained and easily retrievable. We do not concur with the lack of documentation for the expense approval. The electronic signature in the procurement system is evidence of approval. Furthermore, the presence of a 3 way system tie between the receiving report, purchase order, and invoice is required for payment processing to occur, and this tie was present in this case.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-137	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A070051 Grant Award Period: 7/1/07-9/30/08	Allowable Costs: Payroll Activities	$469,309

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Further, the Circular states that where employees are expected to work solely on a single federal award or cost objective, charges for 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 semi-annually and must be signed by the employee or supervisory official having firsthand 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 should be supported by personnel activity reports or equivalent documentation.

Condition – The following exceptions were noted during our test work:

- Out of 40 payroll items requested, 1 item was not presented with any supporting documentation.
- Out of 40 payroll items requested, 5 items related to payroll default entries where DCPS was unable to provide details showing which employees made up the entry. Therefore, it was impossible to assess whether the expenditures were allowable.
- Out of 40 payroll items requested, in 4 instances, proper time and effort certification was not provided.
- Out of 40 payroll items requested, there was 1 instance where the check received by the employee did not agree to the amount recorded in the general ledger. In addition, the grade/step schedule was not provided for this employee.
- Out of 40 payroll items requested, there was 1 instance where the timesheet provided did not agree to the amount recorded in the general ledger. In addition, the proper time and effort certification was not provided for this employee.

Context – This is a condition identified per review of DCPS' compliance with specified requirements. We reviewed 40 payroll expenditures, from a series of batches. Total payroll expenditures charged to the Title I program in FY 2008 by DCPS were $16,791,341.

The total amount related to the 1 item without any supporting documentation, the 5 items related to payroll default entries that DCPS was unable to provide, the 5 items that were provided without time and effort certifications, and the 1 item where the grade/step schedule did not agree to the amount recorded in the general ledger was $469,309.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, the lack of authorization and review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal awards.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention policy.

Recommendation – We recommend that DCPS should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures related to federal grants are reviewed for allowability and properly approved.

DCPS should develop a central tracking system for the semi-annual certifications. The tracking system should include some written form of communication from program managers that acknowledges that they have prepared the required semi-annual certifications.

Views of Responsible Officials and Planned Corrective Actions – DCPS does maintain adequate documentation for expenditures incurred related to federal awards as evidenced by the minimal instances where support was not available. We do however acknowledge that we need to revise and update the document retention policy to ensure that all items are readily available for review. DCPS concurs that some of the original certifications were not readily available for review as evidenced by the after the fact certifications provided. We will review and revise the current tracking system for semi-annual certifications and ensure that original documents are appropriately retained and available for review.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-138	U.S. Department of Education Special Education Cluster CFDA Number: 84.027, 84.173 Grant Award Number: H027A070010 Grant Award Period: 7/1/07-9/30/08	Allowable Costs: Payroll Activities	$106,400

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Further, the Circular states that where employees are expected to work solely on a single federal award or cost objective, charges for 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 semi-annually and must be signed by the employee or supervisory official having firsthand 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 should be supported by personnel activity reports or equivalent documentation.

Condition – The following exceptions were noted during our test work:

- Out of 14 payroll items tested, there was 1 item that was not presented with any supporting documentation.
- Out of the 14 payroll items tested, there were 7 employees that did not submit the proper time and effort certifications.

Context – This is a condition identified per review of DCPS' compliance with specified requirements. We reviewed 14 payroll expenditures, from a series of batches. Total payroll expenditures charged to the Special Education Cluster program in FY 2008 were $6,073,442. The total amount related to documentation not being available to verify the payroll and proper time and effort certifications not being submitted was $106,400.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, the lack of authorization and review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal award.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention policy.

Recommendation – We recommend that DCPS should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures related to federal grants are reviewed for allowability and properly approved.

DCPS should develop a central tracking system for the semi-annual certifications. The tracking system should include some written form of communication from program managers that acknowledges that they have prepared the required semi-annual certifications.

Views of Responsible Officials and Planned Corrective Actions – DCPS does maintain adequate documentation for expenditures incurred related to federal awards evidenced by the minimal instances where support was not available. We do however acknowledge that we need to revise and update the document retention policy to ensure that all items are readily available for review. DCPS concurs that some of the original certifications were not readily available for review as evidenced by the after the fact certifications provided. We will review and revise the current tracking system for semi-annual certifications and ensure that original documents are appropriately retained and available for review.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

No.	Program	Findings/Noncompliance	Questioned Costs
2008-139			

This finding # was not used.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-140	U.S. Department of Education Career and Technical Education – Basic Grants to States CFDA Number: 84.048 Grant Award Number: V048A070051B Grant Award Period: 7/1/07-9/30/08	Allowable Costs: Payroll Activities	Below Reporting Threshold

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Further, the Circular states that where employees are expected to work solely on a single federal award or cost objective, charges for 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 semi-annually and must be signed by the employee or supervisory official having firsthand 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 should be supported by personnel activity reports or equivalent documentation.

Condition – Out of 4 payroll items requested, a time and effort certification was not provided for 1 item.

Context – This is a condition identified per review of DCPS' compliance with specified requirements and is a systemic issue identified in other DCPS programs as well. We reviewed 4 payroll expenditures, from a series of daily transactions, totaling $10,083. Total payroll expenditures charged to the Career and Technical Education – Basic Grants to States program in FY 2008 were $870,123. The amount for which DCPS was unable to provide a time and effort certification was $2,976.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, the lack of authorization and review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal award.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention policy.

Recommendation – We recommend that DCPS should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures related to federal grants are reviewed for allowability and properly approved.

DCPS should develop a central tracking system for the semi-annual certifications. The tracking system should include some written form of communication from program managers that acknowledges that they have prepared the required semi-annual certifications.

Views of Responsible Officials and Planned Corrective Actions – DCPS concurs that some of the original certifications were not readily available for review. We will review and revise the current tracking system for semi-annual certifications and ensure that original documents are appropriately retained and available for review.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2008-141	U.S. Department of Education Improving Teacher Quality State Grants CFDA Number: 84.367 Grant Award Number: S367A070008 Grant Award Period: 7/1/07-9/30/08	Allowable Costs: Payroll Activities	$15,505

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Further, the Circular states that where employees are expected to work solely on a single federal award or cost objective, charges for 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 semi-annually and must be signed by the employee or supervisory official having firsthand 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 should be supported by personnel activity reports or equivalent documentation.

Condition – The following exceptions were noted during our test work:

- Out of 14 payroll items selected, 1 item was not presented with any supporting documentation.
- Out of 14 payroll items selected, 5 employees did not submit the required time and effort certifications.

Context – This is a condition identified per review of DCPS' compliance with specified requirements. We reviewed 14 payroll expenditures, from a series of batches. Total payroll expenditures charged to the Improving Teacher Quality State Grants in FY 2008 by DCPS were $5,962,045. The amount related to the exceptions noted above was $15,505.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, the lack of authorization and review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal award.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention policy.

Recommendation – We recommend that DCPS should improve its processes and procedures over the retention of supporting documentation. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures related to federal grants are reviewed for allowability and properly approved.

DCPS should develop a central tracking system for the semi-annual certifications. The tracking system should include some written form of communication from program managers that acknowledges that they have prepared the required semi-annual certifications.

Views of Responsible Officials and Planned Corrective Actions – DCPS does maintain adequate documentation for expenditures incurred related to federal awards evidenced by there being only one instance where support was not available. We do however acknowledge that we need to revise and update the document retention policy to ensure that all items are readily available for review. DCPS concurs that some of the original certifications were not readily available for review as evidenced by the after the fact certifications provided. We will review and revise the current tracking system for semi-annual certifications and ensure that original documents are appropriately retained and available for review.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-142	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A070051 Grant Award Period: 7/1/07-9/30/08	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources".

Condition – DCPS was not able to provide evidence of its compliance with the supplement not supplant compliance requirement.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS was not able to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support OSSE being in compliance.

Cause – DCPS has not set up its system to separately track the amount of local expenditures incurred on a per program level. DCPS only tracks, through SOAR, the District's accounting system of record, the amount of federal grant expenditures on a consolidated basis. Therefore, the systems at DCPS cannot provide information on whether supplanting has occurred on a grant by grant basis.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. DCPS must set up a process to track funds on both a federal and a non-federal basis, on a grant by grant basis. This should be monitored and reviewed at regular intervals. If there is any supplanting, the DCPS local funding allocation should be increased for the concerned programs to ensure that no actual supplanting is occurring.

Views of Responsible Officials and Planned Corrective Actions – We disagree with the statements made in various sections of this finding because we have a system to track local expenditures incurred at a program level.

State and local educational agencies are required to use Title I, Part A funds "only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds." 20 U.S.C. 6321(b)(1). In other words, Title I, Part A funds generally cannot be used to pay for costs that would otherwise be paid for with state or local funds.

As the U.S. Department of Education (USDE) has recognized, determining whether a particular cost constitutes supplanting depends on individual facts and circumstances:

- In its February 2008 Non-Regulatory Guidance on Title I Fiscal Issues, USDE stated, "keep in mind that any determination about supplanting is very case specific and it is difficult to provide general guidelines without examining the details of a situation."

- In an October 13, 2004 webcast entitled "Key Title I Fiscal Issues: Supplement, Not Supplant" one USDE official stated "one of the reasons that it's [supplement, not supplant] so hard to deal with is that it's very case specific. You have to have all the details and circumstances in an individual situation to make a call about whether "supplement, or not supplant" applies." Another official stated supplement not supplant "sounds like a very simple requirement, but . . . it's very fact specific. And, you really can't talk about it well in general terms because it is so dependent upon the facts of the specific situation."

Because a supplanting analysis is so fact specific, both the USDE's Non-Regulatory Guidance and the OMB Circular A-133 Compliance Supplement direct auditors to apply three presumptions to determine whether an individual cost constitutes supplanting:

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA is required to make available under other federal, state, or local laws.

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA provided with state or local funds in the prior year.

- A supplanting violation is presumed when an SEA or LEA uses Title I, Part A to provide the same services to Title I students that the LEA or SEA provides with state or local funds to nonparticipating students.

Thus, a supplanting analysis must be based on the specific facts and circumstances surrounding a particular cost.

The Office of the State Superintendent of Education (OSSE) has taken steps to ensure costs comply with federal supplanting restrictions. In school year 2007-2008 local educational agencies (LEAs), including the District of Columbia Public Schools LEA, provided assurance they would comply with the supplement not supplant requirement as a condition of receiving federal funds under the consolidated application for major NCLB programs. The 2008-2009 consolidated application continues to include this assurance, and OSSE has also provided guidance to LEAs on the supplement not supplant requirements.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-143	U.S. Department of Education Special Education Cluster CFDA Number: 84.027, 84.173 Grant Award Number: H027A070010 Grant Award Period: 7/1/07-9/30/08	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement specifies that IDEA, Part B funds received by a Local Educational Agency (LEA) cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of State and local funds, below the level of those expenditures for the preceding fiscal year. To meet this requirement, an LEA must expend, in any particular fiscal year, an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or a per capita basis, to the amount of local funds, or a combination of State and local funds, expended for this purpose by the LEA in the prior fiscal year.

Condition – In October 2007, OSSE assumed responsibility for SEA-level functions of this grant from DCPS. During our review, DCPS was unable to provide evidence of its monitoring of the compliance requirement as described above.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS was not able to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support DCPS being in compliance.

Cause – DCPS did not have a policy or procedure in place for meeting the maintenance of effort requirements. There was no review of the requirement during the year.

Recommendation – DCPS should determine a methodology for ensuring that the local maintenance of effort has remained consistent from year to year. A policy should be instituted that will analyze the local funds used for the Special Education Cluster programs and measure them against the local funds used in prior years.

Views of Responsible Officials and Planned Corrective Actions – DCPS respectfully disagrees with this finding.

After the conclusion of the audit process, DCPS collected evidence showing that LEA Special Education payroll expenditure data had not been included in the LEA Special Education budget line item used for testing maintenance of effort.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-144	U.S. Department of Education Career and Technical Education – Basic Grants to States CFDA Number: 84.048 Grant Award Number: V048A070051B Grant Award Period: 7/1/07-9/30/08	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources".

Condition – DCPS was not able to provide evidence of its compliance with the supplement not supplant compliance requirement.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS was not able to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support DCPS being in compliance.

Cause – DCPS has not set up its system to separately track the amount of local expenditures incurred on a per program level. DCPS only tracks, through SOAR, the District's accounting system of record, the amount of federal grant expenditures on a consolidated basis. Therefore, the systems at DCPS cannot provide information on whether supplanting has occurred on a grant by grant basis.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. DCPS must set up a process to track funds on both a federal and a non-federal basis, on a grant by grant basis. This should be monitored and reviewed at regular intervals. If there is any supplanting, the DCPS local funding allocation should be increased for the concerned programs to ensure that no actual supplanting is occurring.

Views of Responsible Officials and Planned Corrective Actions – We disagree with the statements made in various sections of this finding because we have a system to track local expenditures incurred at a program level.

State Educational Agencies are required to use CTE funds "to supplement and shall not supplant, non-Federal funds expended to carry out career and technical education activities and tech prep program activities." 20 U.S.C. 9251(a). In other words, CTE funds generally cannot be used to pay for costs that would otherwise be paid for with state or local funds.

Because a supplanting analysis is so fact specific, both the U.S. Department of Education's (USDE) Non-Regulatory Guidance and the OMB Circular A-133 Compliance Supplement direct auditors to apply three presumptions to determine whether an individual cost constitutes supplanting:

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA is required to make available under other federal, state, or local laws.

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA provided with state or local funds in the prior year.

- A supplanting violation is presumed when an SEA or LEA uses Title I, Part A to provide the same services to Title I students that the LEA or SEA provides with state or local funds to nonparticipating students.

Thus, a supplanting analysis must be based on the specific facts and circumstances surrounding a particular cost.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-145	U.S. Department of Education Improving Teacher Quality State Grants CFDA Number: 84.367 Grant Award Number: S367A070008 Grant Award Period: 7/1/07-9/30/08	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources".

Condition – DCPS was not able to provide evidence of its compliance with the supplement not supplant compliance requirement.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS was not able to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support DCPS being in compliance.

Cause – DCPS has not set up its system to separately track the amount of local expenditures incurred on a per program level. DCPS only tracks, through SOAR, the District's accounting system of record, the amount of federal grant expenditures on a consolidated basis. Therefore, the systems at DCPS cannot provide information on whether supplanting has occurred on a grant by grant basis.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. DCPS must set up a process to track funds on both a federal and a non-federal basis, on a grant by grant basis. This should be monitored and reviewed at regular intervals. If there is any supplanting, the DCPS local funding allocation should be increased for the concerned programs to ensure that no actual supplanting is occurring.

Views of Responsible Officials and Planned Corrective Actions – We disagree with the statements made in various sections of this finding because we have a system to track local expenditures incurred at a program level.

State and local educational agencies are required to use Title II, Part A funds "to supplement, and not supplant, non-federal funds that would otherwise be used" for allowable activities. 20 U.S.C. §§ 6613(f), 6623(b). In other words, Title II, Part A funds generally cannot be used to pay for costs that would otherwise be paid for with state or local funds.

As the U.S. Department of Education (USDE) has recognized, determining whether a particular cost constitutes supplanting depends on individual facts and circumstances:

- In its February 2008 Non-Regulatory Guidance on Title I Fiscal Issues, USDE stated, "keep in mind that any determination about supplanting is very case specific and it is difficult to provide general guidelines without examining the details of a situation."

- In an October 13, 2004 webcast entitled "Key Title I Fiscal Issues: Supplement, Not Supplant" one USDE official stated "one of the reasons that it's [supplement, not supplant] so hard to deal with is that it's very case specific. You have to have all the details and circumstances in an individual situation to make a call about whether "supplement, or not supplant" applies." Another official stated supplement not supplant "sounds like a very simple requirement, but . . . it's very fact specific. And, you really can't talk about it well in general terms because it is so dependent upon the facts of the specific situation."

Because a supplanting analysis is so fact specific, both the USDE's Non-Regulatory Guidance and the OMB Circular A-133 Compliance Supplement direct auditors to apply two presumptions to determine whether an individual cost constitutes supplanting:

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA is required to make available under other federal, state, or local laws.

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA provided with state or local funds in the prior year.

Thus, a supplanting analysis must be based on the specific facts and circumstances surrounding a particular cost.

The Office of the State Superintendent of Education (OSSE) has taken steps to ensure costs comply with federal supplanting restrictions. In school year 2007-2008 local educational agencies (LEAs), including the District of Columbia Public Schools LEA, provided assurance they would comply with supplement not supplant requirement as a condition of receiving federal funds under the consolidated application for major NCLB programs. The 2008-2009 consolidated application continues to include this assurance and OSSE has also provided guidance to LEAs on the supplement not supplant requirements.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-146	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A070051 Grant Award Period: 7/1/07-9/30/08	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

In addition, effective April 2007, a directive policy on procurement was issued that requires a determination letter to be made, showing reasonableness of price in making the procurement award.

Condition – We identified the following during our testing:

- For 1 procurement sample, DCPS had expensed more than amount of the purchase order.
- For 2 procurement samples, DCPS was unable to provide support that it had carried out a search that the vendor had not been debarred or suspended from providing services where federal funds are utilized.

Context – This is a condition identified per review of DCPS' compliance with specified requirements. We reviewed 33 procurement files totaling $552,539.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DCPS 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 DCPS could possibly issue procurements without the appropriate funding.

Cause – The procurement office has not properly maintained documentation in contract files, and it appears that policies and procedures related to documentation were not functioning as intended.

Recommendation – We recommend DCPS develop detailed quality assurance policies and procedures that focus on ensuring that all procurement actions processed are properly documented and supported in accordance with federal laws and regulations. In addition, we recommend that DCPS review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – Not available at this time.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2008-147	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A070051 Grant Award Period: 7/1/07-9/30/08	Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals	$214,839

Criteria or Specific Requirement – Per the No Child Left Behind Act (Title I, Section 1119(a) of the ESEA (20 USC 6319(a)); 34 CFR section 200.55, 200.56 and 200.58)), all teachers hired after the first day of the 2002-2003 school year and paraprofessionals hired after January 8, 2002 must meet the Highly Qualified Teachers and Paraprofessionals standards as outlined in the Act.

The OMB Circular A-133 Compliance Supplement, with reference to 34 CFR Section 200.56, defines the requirements for highly qualified teachers. The supplement states that all teachers must hold at least a bachelor's degree and state certification to teach in the state. Further, 34 CFR Section 200.58 defines the qualification of paraprofessionals. All paraprofessionals covered by the section, regardless of the hiring date, must have earned a secondary school diploma or equivalent and must (1) have completed at least 2 years of study at an institution of higher education; or (2) obtained an associate or higher degree; or (3) met a rigorous standard of quality and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, reading/language arts, writing and mathematics, or reading readiness, writing readiness, and mathematics readiness.

Condition – DCPS, as the LEA, failed to ensure compliance was met as mandated. Of the 45 teachers and paraprofessionals selected for testing, we found that in 7 instances, instruction was being provided by teachers/paraprofessionals that were not highly qualified.

Context – This is a condition identified per review of DCPS' compliance with the specified requirements. We reviewed the qualifications of 6 paraprofessionals and 39 core teachers during FY 2008. The total payroll of the 7 exceptions noted above was $214,839.

Effect – DCPS is in direct violation of the stated requirements.

Cause – It appears that DCPS has not adequately monitored the qualification status of teachers and paraprofessionals.

Recommendation – DCPS should improve its monitoring process to ensure that the "highly qualified teachers and paraprofessionals" requirements are met. Further, supporting documentation related to academic credentials for all teachers and paraprofessionals should be retained in order to ensure that the federal requirements for hiring highly qualified teachers and paraprofessionals are being complied with.

Views of Responsible Officials and Planned Corrective Actions – DCPS will review the credentials of the individuals identified in the testing sample and will take the appropriate action to ensure adherence with highly qualified teacher and paraprofessional requirement outlined in NCLB. Additionally, DCPS will also review its existing monitoring process and internal policies and procedures to ensure its internal controls standards are sufficient and will take the necessary action to strengthen its internal controls in this area.

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Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Individual Responsible for Corrective Action Plan:

Willadene Tolmachoff
Government of the District of Columbia
Office of Integrity and Oversight
Audit Manager
202-442-8277

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency: Department of Health (DOH)				
2007-13	Medical Assistance Program Cluster	Allowable Costs: Escheated Warrants	93.775, 93.777, 93.778	Repeated. Finding No. 2008-11.
2007-14	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs: Payroll Activities	93.959	Corrected.
2007-15	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management: Funding Technique	10.557	Not corrected. Similar Finding No. 2008-13 through 2008-19.
2007-16	Housing Opportunities for Persons with AIDS	Cash Management: Funding Technique	14.241	Repeated. Finding No. 2008-13.
2007-17	Centers for Disease Control and Prevention – Investigations/Technical Assistance	Cash Management: Funding Technique	93.283	Not corrected. Similar Finding No. 2008-13 through 2008-19.
2007-18	Medical Assistance Program Cluster	Cash Management: Funding Technique	93.775, 93.777, 93.778	Repeated. Finding No. 2008-15.
2007-19	HIV Emergency Relief Project Grants	Cash Management: Funding Technique	93.914	Repeated. Finding No. 2008-16.
2007-20	HIV Care Formula Grants	Cash Management: Funding Technique	93.917	Repeated. Finding No. 2008-17.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency: Department of Health (DOH) - Cont'd.				
2007-21	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management: Funding Technique	93.959	Repeated. Finding No. 2008-19.
2007-22	Maternal and Child Health Services Block Grant to the States	Cash Management: Funding Technique	93.994	Not corrected. Similar Finding No. 2008-13 through 2008-19.
2007-23	State Children's Health Insurance Program	Eligibilty	93.767	Repeated. Finding No. 2008-20.
2007-24	Medical Assistance Program Cluster	Eligibilty	93.775, 93.777, 93.778	Repeated. Finding No. 2008-21.
2007-25	Housing Opportunities for Persons With AIDS	Reporting	14.241	Corrected.
2007-26	Housing Opportunities for Persons With AIDS	Subrecipient Monitoring	14.241	Corrected.
2007-27	HIV Emergency Relief Project Grants	Subrecipient Monitoring	93.914	Corrected.
2007-28	HIV Care Formula Grants	Subrecipient Monitoring	93.917	Repeated. Finding No. 2008-28.
2007-29	Medical Assistance Program Cluster	Special Tests and Provisions: Inpatient Hospital and Long-Term Care Facility Audits	93.775, 93.777, 93.778	Corrected.
2007-30	This finding number was not used.			
2007-31	Medical Assistance Program Cluster	Special Tests and Provisions: Utilization Control and Program Integrity	93.775, 93.777, 93.778	Repeated. Finding No. 2008-30.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Office on Aging (DCOA)				
2007-32	This finding number was not used.			
2007-33	Special Programs for the Aging Cluster	Allowable Costs: Nonpayroll Activities	93.044, 93.045, 93.053	Corrected.
2007-34	This finding number was not used.			
2007-35	This finding number was not used.			
District Agency – Office of the City Administrator (OCA)				
2007-36	Homeland Security	Allowable Costs: Nonpayroll Activities	97.067	Corrected.
2007-37	Homeland Security	Cash Management: Funding Technique	97.067	Repeated. Finding No. 2008-91.
2007-38	Transit Security	Cash Management: Funding Technique	97.075	Repeated. Finding No. 2008-92.
2007-39	This finding number was not used.			
2007-40	This finding number was not used.			
2007-41	Homeland Security	Procurement, Suspension, and Debarment	97.067	Repeated. Finding No. 2008-96.
2007-42	This finding number was not used.			
2007-43	This finding number was not used.			
2007-44	Homeland Security	Subrecipient Monitoring	97.067	Repeated. Finding No. 2008-100.
2007-45	Transit Security	Subrecipient Monitoring	97.075	Repeated. Finding No. 2008-101.
2007-46	Homeland Security	Special Tests and Provisions: Subgrant Awards	97.067	Corrected.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Office of the State Superintendent of Education (OSSE)				
2007-47	Child Nutrition Cluster	Eligibility	10.553, 10.555, 10.559	Corrected.
2007-48	This finding number was not used.			
District Agency – Child and Family Services Agency (CFSA)				
2007-49	Foster Care – Title IV-E	Allowable Costs: Nonpayroll Activities	93.658	Corrected.
2007-50	This finding number was not used.			
2007-51	Foster Care – Title IV-E	Cash Management: Funding Technique	93.658	Repeated. Finding No. 2008-58.
2007-52	Adoption Assistance	Cash Management: Funding Technique	93.659	Repeated. Finding No. 2008-59.
2007-53	Foster Care – Title IV-E	Eligibility	93.658	Corrected.
2007-54	Foster Care – Title IV-E	Eligibility	93.658	Repeated. Finding No. 2008-60.
2007-55	Foster Care – Title IV-E	Eligibility	93.658	Corrected.
2007-56	Adoption Assistance	Eligibility	93.659	Repeated. Finding No. 2008-61.
2007-57	This finding number was not used.			
2007-58	This finding number was not used.			
2007-59	Foster Care – Title IV-E	Procurement, Suspension, and Debarment	93.658	Repeated. Finding No. 2008-62.
2007-60	Adoption Assistance	Procurement, Suspension, and Debarment	93.659	Repeated. Finding No. 2008-63.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Child and Family Services Agency (CFSA) - Cont'd.				
2007-61	Foster Care – Title IV-E	Reporting	93.658	Corrected.
2007-62	Adoption Assistance	Reporting	93.659	Corrected.
District Agency – Department of Employment Services (DOES)				
2007-63	Unemployment Insurance	Cash Management: Funding Technique	17.225	Repeated. Finding No. 2008-87.
2007-64	This finding number was not used.			
2007-65	Workforce Investment Act Cluster	Cash Management: Drawdown of Funds	17.258, 17.259, 17.260	Corrected.
2007-66	Unemployment Insurance	Eligibility	17.225	Corrected.
2007-67	Workforce Investment Act Cluster	Eligibility	17.258, 17.259, 17.260	Corrected.
2007-68	Unemployment Insurance	Special Tests and Provisions: Employer Experience Rating	17.225	Corrected.
District Agency – Office of the Attorney General (OAG)				
2007-69	Child Support Enforcement	Allowable Costs: Indirect Cost Activities	93.563	Repeated. Finding No. 2008-37.
2007-70	Child Support Enforcement	Cash Management	93.563	Repeated. Finding No. 2008-38.
2007-71	Child Support Enforcement	Procurement, Suspension, and Debarrment	93.563	Repeated. Finding No. 2008-39.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Office of the Attorney General (OAG) - Cont'd.				
2007-72	Child Support Enforcement	Reporting	93.563	Corrected.
2007-73	This finding number was not used.			
2007-74	This finding number was not used.			
2007-75	Child Support Enforcement	Special Tests and Provisions: Provision of Child Support Services for Interstate Initiating Cases	93.563	Repeated. Finding No. 2008-40.
2007-76	This finding number was not used.			
District Agency – District of Columbia Public Schools (DCPS)				
2007-77	Title I Grants to Local Educational Agencies	Allowable Costs: Indirect Cost Activities	84.010	Corrected.
2007-78	Special Education Cluster	Allowable Costs: Indirect Cost Activities	84.027, 84.173	Corrected.
2007-79	Improving Teacher Quality State Grants	Allowable Costs: Indirect Cost Activities	84.367	Corrected.
2007-80	Grants for State Assessments and Related Activities	Allowable Costs: Indirect Cost Activities	84.369	Corrected.
2007-81	This finding number was not used.			
2007-82	Title I Grants to Local Educational Agencies	Allowable Costs: Nonpayroll and Payroll Activities	84.010	Repeated. Finding No. 2008-136 and 2008-137.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – District of Columbia Public Schools (DCPS) - Cont'd.				
2007-83	Special Education Cluster	Allowable Costs: Payroll Activities	84.027, 84.173	Repeated. Finding No. 2008-138.
2007-84	This finding number was not used.			
2007-85	Grants for State Assessments and Related Activities	Allowable Costs: Nonpayroll Activities	84.369	Not corrected. Similar Finding No. 2008-136.
2007-86	This finding number was not used.			
2007-87	Head Start	Allowable Costs: Nonpayroll Activities	93.600	Corrected.
2007-88	Title I Grants to Local Educational Agencies	Cash Management: Drawdown of Funds	84.010	Responsibility shift to OSSE. Similar Finding No. 2008-108.
2007-89	This finding number was not used.			
2007-90	Special Education Cluster	Cash Management: Drawdown of Funds	84.027, 84.173	Responsibility shift to OSSE. Similar Finding No. 2008-109.
2007-91	This finding number was not used.			
2007-92	Improving Teacher Quality State Grants	Cash Management: Drawdown of Funds	84.367	Responsibility shift to OSSE. Similar Finding No. 2008-110.
2007-93	This finding number was not used.			
2007-94	Head Start	Cash Management: Drawdown of Funds	93.600	Repeated. Finding No. 2008-45 and 2008-46.
2007-95	This finding number was not used.			
2007-96	Title I Grants to Local Educational Agencies	Matching, Level of Effort, Earmarking	84.010	Repeated. Finding No. 2008-142.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – District of Columbia Public Schools (DCPS) - Cont'd.				
2007-97	Improving Teacher Quality State Grants	Matching, Level of Effort, Earmarking	84.367	Repeated. Finding No. 2008-145.
2007-98	Head Start	Matching, Level of Effort, Earmarking	93.600	Corrected.
2007-99	Title I Grants to Local Educational Agencies	Period of Availability	84.010	Corrected.
2007-100	Title I Grants to Local Educational Agencies	Procurement, Suspension, and Debarment	84.010	Repeated. Finding No. 2008-146.
2007-101	Title I Grants to Local Educational Agencies	Reporting	84.010	Responsibility shift to OSSE. Similar Finding No. 2008-124.
2007-102	Special Education Cluster	Reporting	84.027, 84.173	Corrected.
2007-103	This finding number was not used.			
2007-104	Head Start	Reporting	93.600	Repeated. Finding No. 2008-52.
2007-105	This finding number was not used.			
2007-106	This finding number was not used.			
2007-107	Title I Grants to Local Educational Agencies	Subrecipient Monitoring	84.010	Responsibility shift to OSSE. Similar Finding No. 2008-131.
2007-108	This finding number was not used.			
2007-109	Special Education Cluster	Subrecipient Monitoring	84.027, 84.173	Responsibility shift to OSSE. Similar Finding No. 2008-132.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – District of Columbia Public Schools (DCPS) - Cont'd.				
2007-110	This finding number was not used.			
2007-111	Head Start	Subrecipient Monitoring	93.600	Repeated. Finding No. 2008-55.
2007-112	Title I Grants to Local Educational Agencies	Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals	84.010	Repeated. Finding No. 2008-147.
2007-113	Title I Grants to Local Educational Agencies	Special Tests and Provisions: Participation of Private School Children	84.010	Corrected.
District Agency – Department of Human Services (DHS)				
2007-114	Temporary Assistance for Needy Families	Allowable Costs: Nonpayroll and Payroll Activities	93.558	Corrected.
2007-115	Community Services Block Grant	Allowable Costs: Payroll Activities	93.569	Corrected.
2007-116	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Allowable Costs: Nonpayroll and Payroll Activities	93.596	Repeated. Finding No. 2008-107.
2007-117	This finding number was not used.			
2007-118	Temporary Assistance for Needy Families	Allowable Costs: Indirect Cost Activities	93.558	Repeated. Finding No. 2008-74.
2007-119	Vocational Rehabilitation Grants to States	Cash Management: Funding Technique	84.126	Repeated. Finding No. 2008-32.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Department of Human Services (DHS) - Cont'd.				
2007-120	Temporary Assistance for Needy Families	Cash Management: Funding Technique	93.558	Repeated. Finding No. 2008-77.
2007-121	Community Services Block Grant	Cash Management: Funding Technique	93.569	Repeated. Finding No. 2008-78.
2007-122	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Cash Management: Funding Technique	93.596	Repeated. Finding No. 2008-112.
2007-123	Social Services Block Grant	Cash Management: Funding Technique	93.667	Repeated. Finding No. 2008-79.
2007-124	Vocational Rehabilitation Grants to States	Eligibility	84.126	Repeated. Finding No. 2008-34.
2007-125	Temporary Assistance for Needy Families	Eligibility	93.558	Repeated. Finding No. 2008-80.
2007-126	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Eligibility	93.596	Repeated. Finding No. 2008-114.
2007-127	This finding number was not used.			
2007-128	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Matching, Level of Effort, Earmarking	93.596	Corrected.
2007-129	Social Services Block Grant	Matching, Level of Effort, Earmarking	93.667	Corrected.
2007-130	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Period of Availability	93.596	Repeated. Finding No. 2008-121.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Department of Human Services (DHS) - Cont'd.				
2007-131	Temporary Assistance for Needy Families	Procurement, Suspension, and Debarment	93.558	Repeated. Finding No. 2008-82.
2007-132	Community Services Block Grant	Procurement, Suspension, and Debarment	93.569	Repeated. Finding No. 2008-83.
2007-133	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Procurement, Suspension, and Debarment	93.596	Repeated. Finding No. 2008-123.
2007-134	This finding number was not used.			
2007-135	Temporary Assistance for Needy Families	Reporting	93.558	Corrected.
2007-136	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Subrecipient Monitoring	93.596	Repeated. Finding No. 2008-135.
2007-137	Social Services Block Grant	Subrecipient Monitoring	93.667	Corrected.
2007-138	Temporary Assistance for Needy Families	Special Tests and Provisions: Child Support Non-Cooperation	93.558	Repeated. Finding No. 2008-84.
District Agency – Department of Housing and Community Development (DHCD)				
2007-139	Community Development Block Grants/Entitlement Grants HOME Investment Partnerships Program	Allowable Costs: Indirect Cost Activities	14.218, 14.239	Repeated. Finding No. 2008-69 and 2008-70.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Department of Housing and Community Development (DHCD) - Cont'd.				
2007-140	Community Development Block Grants/Entitlement Grants	Allowable Costs: Payroll Activities	14.218	Corrected.
2007-141	This finding number was not used.			
2007-142	Community Development Block Grants/Entitlement Grants	Allowable Costs: Payroll Activities	14.218	Corrected.
2007-143	HOME Investment Partnerships Program	Matching, Level of Effort, Earmarking	14.239	Repeated. Finding No. 2008-71.
2007-144	Community Development Block Grants/Entitlement Grants	Program Income	14.218	Corrected.
2007-145	HOME Investment Partnerships Program	Special Tests and Provisions: Housing Quality Standards	14.239	Corrected.

Government of the District of Columbia

Schedule of Expenditures of Federal Awards and Reports Required by Government Auditing Standards and OMB Circular A-133

Year Ended September 30, 2009

The report accompanying these financial statements was issued by BDO Seidman, LLP, a New York limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Government of the District of Columbia

Schedule of Expenditures of Federal Awards and Reports Required by Government Auditing Standards and OMB Circular A-133

Year Ended September 30, 2009

Government of the District of Columbia

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BDO Seidman, LLP
Accountants and Consultants

1250 Connecticut Avenue, NW, Suite 200
Washington, D.C. 20036
Telephone: (202) 261-3565
Fax: (202) 261-3563

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District), as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. Significant deficiencies in internal control over financial reporting are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2009-01 through 2009-03.

I. District of Columbia Public Schools – Payroll.
II. Management of the Medicaid Program.
III. Office of Tax and Revenue.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described earlier is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2009-04 through 2009-06.

I. Noncompliance with Procurement Regulations.
II. Noncompliance with the Quick Payment Act.
III. Expenditures in Excess of Budgetary Authority.

We also noted additional matters which we have reported to management of the District in a separate letter dated January 28, 2010. The status of prior year instances of significant deficiencies, material weaknesses, and material noncompliance is presented below:

Nature of Comment	Type of Comment in Fiscal Year 2008	Current Year Status
Treasury Functions	Material Weakness	Control Deficiency
Management of the Medicaid Program	Material Weakness	Significant Deficiency
Compensation	Significant Deficiency	Control Deficiency
Office of Tax and Revenue	Significant Deficiency	Significant Deficiency
District of Columbia Public Schools	Significant Deficiency	Partially Corrected; Significant Deficiency - Payroll
Management of the Postretirement Health and Life Insurance Trust	Significant Deficiency	Control Deficiency
Noncompliance with Procurement Regulations	Material Noncompliance	Material Noncompliance

Nature of Comment	Type of Comment in Fiscal Year 2008	Current Year Status
Noncompliance with the Quick Payment Act	Material Noncompliance	Material Noncompliance
Noncompliance with the Financial Institutions Deposit and Investment Amendment Act	Material Noncompliance	Not Repeated
Expenditures in Excess of Budgetary Authority	Material Noncompliance	Material Noncompliance

The District's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, the Council, the Inspector General of the District, District management, the U.S. Government Accountability Office, the U.S. Congress, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Washington, D.C.
January 28, 2010

BDO Seidman, LLP
Accountants and Consultants

1250 Connecticut Avenue, NW, Suite 200
Washington, D.C. 20036
Telephone: (202) 261-3565
Fax: (202) 261-3563

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Mayor and the Council of the Government of the District of Columbia

Compliance

We have audited the compliance of the Government of the District of Columbia (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The accompanying Schedules of Expenditures of Federal Awards and our audit described below do not include the federal expenditures of the District of Columbia Water and Sewer Authority and the District of Columbia Housing Finance Agency. These component units of the District have a separate independent audit performed in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in the items listed below and as found in the accompanying schedule of findings and questioned costs, the District did not comply with certain requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Finding No.	CFDA No.	Compliance Requirement
2009-07	93.775, 93.778	Allowable Costs
2009-08	93.775, 93.778	Allowable Costs
2009-09	93.767	Cash Management

Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2009-10	93.775, 93.778	Cash Management
2009-11	93.767	Eligibility
2009-12	93.775, 93.778	Eligibility
2009-13	93.775, 93.778	Eligibility
2009-14	14.241	Cash Management
2009-15	93.069	Cash Management
2009-16	93.914	Cash Management
2009-17	93.917	Cash Management
2009-18	93.940	Cash Management
2009-19	93.926	Eligibility
2009-21	93.069	Procurement, Suspension, and Debarment
2009-22	84.126, 84.390	Cash Management
2009-23	96.001	Cash Management
2009-24	84.126, 84.390	Eligibility
2009-25	84.126, 84.390	Procurement, Suspension, and Debarment
2009-26	96.001	Procurement, Suspension, and Debarment
2009-28	93.563	Cash Management
2009-29	93.563	Procurement, Suspension, and Debarment
2009-33	93.600	Allowable Costs
2009-34	93.600	Cash Management
2009-36	93.600	Matching, Level of Effort, Earmarking
2009-37	93.600	Period of Availability
2009-38	93.600	Reporting
2009-39	93.600	Subrecipient Monitoring
2009-40	93.600	Special Tests and Provisions: Governing Body Composition
2009-43	93.658	Allowable Costs
2009-44	93.659	Allowable Costs
2009-45	93.658	Cash Management
2009-46	93.659	Cash Management
2009-47	93.658	Eligibility
2009-48	93.659	Eligibility
2009-49	93.658	Procurement, Suspension, and Debarment
2009-50	93.658	Subrecipient Monitoring
2009-51	93.558	Allowable Costs
2009-52	93.558	Allowable Costs
2009-53	10.551, 10.561	Cash Management
2009-54	93.558	Cash Management
2009-55	93.569	Cash Management
2009-56	93.558	Eligibility
2009-57	10.551, 10.561	Procurement, Suspension, and Debarment
2009-58	93.558	Procurement, Suspension, and Debarment
2009-59	93.558	Reporting
2009-60	93.558	Subrecipient Monitoring
2009-62	17.225	Cash Management
2009-63	17.225	Eligibility
2009-64	17.225	Reporting

Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2009-65	97.036	Allowable Costs
2009-66	97.067	Allowable Costs
2009-68	97.067	Period of Availability
2009-69	97.067	Procurement, Suspension, and Debarment
2009-70	97.067	Reporting
2009-71	97.067	Special Tests and Provisions: Supplement not Supplant
2009-72	84.027, 84.173	Allowable Costs
2009-73	10.558	Cash Management
2009-74	84.010	Cash Management
2009-75	84.027, 84.173	Cash Management
2009-76	84.282	Cash Management
2009-77	84.367	Cash Management
2009-78	93.596	Cash Management
2009-79	93.596	Eligibility
2009-80	84.010	Matching, Level of Effort, Earmarking
2009-81	84.367	Matching, Level of Effort, Earmarking
2009-82	84.010	Reporting
2009-83	10.558	Subrecipient Monitoring
2009-84	93.596	Subrecipient Monitoring
2009-85	84.010	Allowable Costs
2009-86	84.367	Allowable Costs
2009-87	84.010	Matching, Level of Effort, Earmarking
2009-88	84.027, 84.173	Matching, Level of Effort, Earmarking
2009-89	84.367	Matching, Level of Effort, Earmarking
2009-90	84.010	Procurement, Suspension, and Debarment

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to in the first paragraph of this report that are applicable to each of its major federal programs for the year ended September 30, 2009, other than those discussed in the following paragraph.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements referred to in the first paragraph of this report which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as follows:

Finding No.	CFDA No.	Compliance Requirement
2009-27	96.001	Reporting
2009-30	93.563	Special Tests and Provisions: Provision of Child Support Services for Interstate Initiating Cases
2009-31	93.563	Special Tests and Provisions: Establishment of Paternity and Support Obligations
2009-61	93.558	Special Tests and Provisions: Child Support Non-Cooperation

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-07 through 2009-90 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider the following items to be material weaknesses:

Finding No.	CFDA No.	Compliance Requirement
2009-09	93.767	Cash Management
2009-10	93.775, 93.778	Cash Management
2009-11	93.767	Eligibility
2009-12	93.775, 93.778	Eligibility
2009-14	14.241	Cash Management
2009-15	93.069	Cash Management
2009-16	93.914	Cash Management
2009-17	93.917	Cash Management
2009-18	93.940	Cash Management
2009-21	93.069	Procurement, Suspension, and Debarment
2009-22	84.126, 84.390	Cash Management
2009-23	96.001	Cash Management
2009-24	84.126, 84.390	Eligibility
2009-25	84.126, 84.390	Procurement, Suspension, and Debarment
2009-26	96.001	Procurement, Suspension, and Debarment
2009-28	93.563	Cash Management

Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2009-29	93.563	Procurement, Suspension, and Debarment
2009-33	93.600	Allowable Costs
2009-34	93.600	Cash Management
2009-36	93.600	Matching, Level of Effort, Earmarking
2009-37	93.600	Period of Availability
2009-39	93.600	Subrecipient Monitoring
2009-45	93.658	Cash Management
2009-46	93.659	Cash Management
2009-47	93.658	Eligibility
2009-48	93.659	Eligibility
2009-49	93.658	Procurement, Suspension, and Debarment
2009-50	93.658	Subrecipient Monitoring
2009-51	93.558	Allowable Costs
2009-52	93.558	Allowable Costs
2009-53	10.551, 10.561	Cash Management
2009-54	93.558	Cash Management
2009-55	93.569	Cash Management
2009-56	93.558	Eligibility
2009-57	10.551, 10.561	Procurement, Suspension, and Debarment
2009-58	93.558	Procurement, Suspension, and Debarment
2009-59	93.558	Reporting
2009-60	93.558	Subrecipient Monitoring
2009-62	17.225	Cash Management
2009-63	17.225	Eligibility
2009-64	17.225	Reporting
2009-65	97.036	Allowable Costs
2009-66	97.067	Allowable Costs
2009-68	97.067	Period of Availability
2009-69	97.067	Procurement, Suspension, and Debarment
2009-70	97.067	Reporting
2009-71	97.067	Special Tests and Provisions: Supplement not Supplant
2009-72	84.027, 84.173	Allowable Costs
2009-73	10.558	Cash Management
2009-74	84.010	Cash Management
2009-75	84.027, 84.173	Cash Management
2009-76	84.282	Cash Management
2009-77	84.367	Cash Management
2009-78	93.596	Cash Management
2009-79	93.596	Eligibility
2009-80	84.010	Matching, Level of Effort, Earmarking
2009-81	84.367	Matching, Level of Effort, Earmarking
2009-82	84.010	Reporting
2009-83	10.558	Subrecipient Monitoring
2009-84	93.596	Subrecipient Monitoring
2009-85	84.010	Allowable Costs
2009-86	84.367	Allowable Costs

Finding No. (cont'd)	CFDA No. (cont'd)	Compliance Requirement (cont'd)
2009-87	84.010	Matching, Level of Effort, Earmarking
2009-88	84.027, 84.173	Matching, Level of Effort, Earmarking
2009-89	84.367	Matching, Level of Effort, Earmarking
2009-90	84.010	Procurement, Suspension, and Debarment

Schedules of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** (the District), as of and for the year ended September 30, 2009, and have issued our report thereon dated January 28, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The accompanying Schedules of Expenditures of Federal Awards are presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The District's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, the Council, the Inspector General of the District, District management, federal awarding agencies and pass-through entities, the U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Washington, D.C.
June 18, 2010

Schedule of Expenditures of Federal Awards

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
U.S. Department of Health and Human Services		
Consumer Affairs	93.002	$ 2,264,725
Public Health and Social Services Emergency Fund	93.003	6,000
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	989,102
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1,799,399
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	3,200,186
Vital Statistics Re-engineering Program	93.066	164,228
Public Health Emergency Preparedness	93.069	6,254,498
D.C. Fatherhood Initiative	93.086	1,282,186
Food and Drug Administration_Research	93.103	5,000
Maternal and Child Health Federal Consolidated Programs	93.110	354,942
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,184,662
Primary Care Services-Resource Coordination and Development	93.130	117,147
Injury Prevention and Control Research and State and Community Based Programs	93.136	78,166
Projects for Assistance in Transition from Homelessness (PATH)	93.150	291,557
Childhood Lead Poisoning Prevention Projects_State and Local	93.197	159,870
Traumatic Brain Injury State Demonstration Grant Program	93.234	156,314
Oral Health Expansion	93.236	153,172
Substance Abuse and Mental Health Services	93.243	1,261,953
Universal Newborn Hearing Screening	93.251	188,531
Immunization Grants	93.268	1,999,161
Substance Abuse and Mental Health Services - Access to Recovery	93.275	3,396,117
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	2,823,808
Minority Health and Health Disparities Research	93.307	614,515
Cancer Centers Support	93.397	165,205

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Cancer Research Manpower	93.398	308,777
Special Programs for the Aging_Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.552	44,498
Promoting Safe and Stable Families	93.556	971,309
Temporary Assistance for Needy Families	93.558	96,423,759
Child Support Enforcement	93.563	18,281,465
Child Support Enforcement Research	93.564	49,173
Refugee and Entrant Assistance-State Administered Programs	93.566	953,200
Low-Income Home Energy Assistance Program	93.568	16,709,179
Community Services Block Grant	93.569	10,922,985
ARRA - Community Services Block Grant	93.569	5,616,382
Refugee and Entrant Assistance-Discretionary Grants	93.576	50,273
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,581,236
Access and Visitation Program	93.597	76,275
Head Start - Direct Funding	93.600	7,215,923
Head Start - Pass-through Funding (Agreement No. 080708)	93.600	3,688,471
Election Assistance for Individuals with Disabilities	93.617	138,001
Developmental Disabilities Basic Support and Advocacy Grant	93.630	296,328
Children's Justice Act	93.643	49,999
Child Welfare Services-State Grants	93.645	326,853
Foster Care - Title IV-E	93.658	26,940,565
ARRA - Foster Care - Title IV-E	93.658	1,234,781
Adoption Assistance	93.659	20,177,781
ARRA - Adoption Assistance	93.659	1,352,046
Social Services Block Grant	93.667	7,168,275
Child Abuse and Neglect State Grants	93.669	85,971
Family Violence Prevention and Services State Grants	93.671	698,204
Chafee Foster Care Independent Living	93.674	1,028,654
ARRA - Aging Congregate Nutrition Services for States	93.707	46,745

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Children's Health Insurance Program	93.767	11,270,264
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	564,015
State Medicaid Fraud Control Units	93.775	1,783,248
Medical Assistance Program	93.778	1,142,406,302
ARRA - Medical Assistance Program	93.778	130,948,498
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	213,041
Money Follows the Person Rebalancing Demonstration	93.791	1,027,648
Medicaid Transportation Grant	93.793	1,798,391
MBRS - Research	93.859	269,699
Bioterrorism and Hospital Preparedness	93.889	2,277,735
HIV Emergency Relief Project Grants	93.914	29,573,298
HIV Care Formula Grants	93.917	18,421,342
US DHHS SDA Speech Pathology (GRAD)	93.925	61,223
Healthy Start Initiative	93.926	4,250,942
Improvements of the Health and Well-Being of Youth	93.938	255,455
HIV Prevention Activities	93.940	7,791,803
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,525,591
Assistance Programs for Chronic Disease Prevention and Control	93.945	287,837
Block Grants for Community Mental Health Services	93.958	737,706
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7,302,373
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	1,629,630
Cooperative Agreements for State-Based Diabetes Control Programs	93.988	169,293
Preventive Health and Health Services Block Grant	93.991	830,843
Maternal and Child Health Services Block Grant to the States	93.994	5,613,514
Total U.S. Department of Health and Human Services		1,631,357,243
U.S. Department of Labor		
Labor Force Statistics	17.002	530,078

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Compensation and Working Conditions	17.005	73,000
Employment Service	17.207	2,515,610
Unemployment Insurance	17.225	360,497,843
ARRA - Unemployment Insurance	17.225	23,394,471
Senior Community Service Employment Program	17.235	606,830
ARRA - Senior Community Service Employment Program	17.235	26,354
WIA Adult Program	17.258	2,691,138
ARRA - WIA Adult Program	17.258	979,347
WIA Youth Activities	17.259	2,416,917
WIA Dislocated Workers	17.260	3,618,817
ARRA - WIA Dislocated Workers	17.260	98,980
WIA Pilots, Demonstrations, and Research Projects	17.261	23,026
WIA Navigator Project	17.266	130,012
Reintegration of Ex-Offenders	17.270	130,434
Work Opportunity Tax Credit Program	17.271	56,807
Temporary Labor Certification for Foreign Workers	17.273	93,517
Consultation Agreements	17.504	437,346
Disabled Veterans' Outreach Program (DVOP)	17.801	265,427
Local Veterans' Employment Representative Program	17.804	289,940
Total U.S. Department of Labor		398,875,894
U.S. Department of Transportation		
Highway Planning and Construction	20.205	140,157,048
ARRA - Highway Planning and Construction	20.205	2,671,133
Motor Carrier Safety	20.217	80,565
National Motor Carrier Safety	20.218	948,191
Safety Data Improvement Program	20.234	(15)
Federal Transit – Metropolitan Planning Grants	20.505	380,924
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	158,444
State and Community Highway Safety	20.600	2,519,368

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
State Traffic and Safety Information System Improvement Grants	20.610	2,563
Pipeline Safety	20.700	124,679
Total U.S. Department of Transportation		147,042,900
U.S. Department of Education		
State Adult Education	84.002	1,286,324
Federal Supplemental Educational Opportunity Grants	84.007	495,687
Title I Grants to Local Educational Agencies	84.010	38,665,012
Title I Program for Neglected and Delinquent Children	84.013	269,903
Special Education-Grants to States	84.027	16,851,493
Higher Education Institutional Aid	84.031	3,112,290
Job Locator Development	84.033	248,327
Impact Aid	84.041	1,510,806
TRIO-Student Support Services	84.042	475,437
TRIO-Talent Search	84.044	361,770
TRIO-Upward Bound	84.047	252,187
Career and Technical Education-Basic Grants to States	84.048	3,127,655
Federal Pell Grant Program	84.063	8,918,614
State Student Incentive Grant/Supplement	84.069	433,011
Vocational Rehabilitation Grants to States	84.126	11,810,402
Rehabilitation Services-Client Assistance Program	84.161	140,236
Independent Living-State Grants	84.169	350,464
Special Education-Preschool Grants	84.173	125,119
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	224,063
Special Education-Grants for Infants and Families with Disabilities	84.181	2,309,001
Byrd Honors Scholarships	84.185	54,000
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,293,091
Supported Employment Services for Individuals with Severe Disabilities	84.187	307,956
Education for Homeless Children and Youth	84.196	203,582
Even Start-State Educational Agencies	84.213	329,426

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Assistive Technology	84.224	361,892
Tech-Prep Education	84.243	724,857
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	28,842
Charter Schools	84.282	7,623,878
Twenty-First Century Community Learning Centers	84.287	5,352,562
Title VII-Innovative Education Program	84.298	144,812
Education Technology State Grants	84.318	67,650
State Program Improvement - Special Education	84.323	300,556
Special Education - Personnel Preparation to Improve Services	84.325	115,508
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	74,433
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,030,248
Teacher Quality Enhancement Grants	84.336	(71,654)
Transition to Teaching	84.350	332,493
Title I Reading First State Grants	84.357	1,177,177
Title III Language Acquisition State Grant	84.365	843,640
Math Science Partnership	84.366	115,801
Improving Teacher Quality State Grants	84.367	17,211,084
Grants for Enhanced Assessment Instruments	84.368	258,551
Grants for State Assessments and Related Activities	84.369	4,589,467
Statewide Data Systems	84.372	832,375
School Improvement Grants	84.377	679,992
ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States	84.390	120,095
Total U.S. Department of Education		135,070,115
U.S. Department of Homeland Security		
Special Projects	97.001	6,550
Homeland Security Preparedness Technical Assistance Program	97.007	64,740
Urban Areas Security Initiative	97.008	1,370,538

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Boating Safety Financial Assistance	97.012	1,019,556
Community Assistance Program State Support Services Element	97.023	29,998
Disaster Grants - Public Assistance	97.036	10,879,150
Emergency Management Performance Grants	97.042	1,591,686
Homeland Security Grant Program	97.067	54,464,034
MAP Modernization Management Support	97.070	1,555
Rail and Transit Security Grant Program	97.075	3,506,605
Buffer Zone Protection Plan	97.078	566,998
Regional Catastrophic Preparedness Grant Program	97.111	249,557
Total U.S. Department of Homeland Security		73,750,967
U.S. Department of Agriculture		
Pesticide Application Training	10.025	6,272
Grants for Agricultural Research, Special Research Grants	10.200	37,205
Agricultural Experiment Station	10.203	1,765,890
Cooperative Extension Service	10.500	14,270
Commodity Distribution Program	10.550	31,060
Supplemental Nutrition Assistance Program	10.551	8,533,880
ARRA - Supplemental Nutrition Assistance Program	10.551	380,244
School Breakfast Program	10.553	4,978,411
National School Lunch Program	10.555	17,729,935
ARRA - National School Lunch Program	10.555	215,764
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16,085,161
ARRA - Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	370,164
Child and Adult Care Food Program	10.558	4,870,778
Summer Food Service Program for Children	10.559	3,849,985
State Administrative Matching Grants for Food Stamp Program	10.561	5,875,895
Nutrition Education and Training Program	10.564	68,593
Commodity Supplemental Food Program	10.565	444,960

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Emergency Food Assistance Program (Administrative Costs)	10.568	172,280
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568	59,863
Nutrition Program for the Elderly	10.570	645,520
WIC Farmers Market Nutrition Program (FMNP)	10.572	226,600
Senior Farmers Market Nutrition Program	10.576	130,000
Child Nutrition Discretionary Grants Limited Availability	10.579	343,301
Fresh Fruit and Vegetable Program	10.582	253,624
Cooperative Forestry Assistance	10.664	163,020
Total U.S. Department of Agriculture		67,252,675
U.S. Department of Housing and Urban Development		
Community Development Block Grants/Entitlement Grants	14.218	18,724,172
Emergency Shelter Grants Program	14.231	1,438,892
Shelter Plus Care	14.238	3,713,449
HOME Investment Partnerships Program	14.239	13,698,402
Housing Opportunities for Persons with AIDS	14.241	14,797,845
National Fair Housing Training Academy	14.401	148,156
Lead-Based Paint Hazard Control	14.900	(403,573)
Total U.S. Department of Housing and Urban Development		52,117,343
Social Security Administration		
Social Security - Disability Insurance	96.001	7,235,350
U.S. Department of Justice		
Asset Forfeitures	16.000	825,000
Law Enforcement Assistance_Narcotics and Dangerous Drugs_ Laboratory Analysis	16.001	1,029,590
Prisoner Reentry Initiative Demonstration	16.202	(275,155)
Services for Trafficking Victims	16.320	37,909
Law Enforcement Assistance Office of Community Anti-Crime Programs	16.519	(167)
Juvenile Accountability Incentive Block Grants	16.523	199,957
Title II Formula Grant - Administration	16.540	460,462

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Paul Coverdell Forensic Science	16.550	148,175
National Criminal History Improvement Program (NCHIP)	16.554	(2,656)
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	369,335
Comprehensive Communities Program	16.572	148,415
Crime Victim Assistance	16.575	1,039,668
ARRA - Crime Victim Assistance	16.575	37,500
Byrne Formula Grant	16.579	786,396
Edward Bryne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	654,276
Crime Victim Assistance /Discretionary Grants	16.582	304,096
Violence Against Women Formula Grants	16.588	600,089
ARRA - Violence Against Women Formula Grants	16.588	36,153
Residential Substance Abuse Treatment for State Prisoners	16.593	84,121
Community Capacity Development Office	16.595	(5,422)
Public Safety Partnership and Community Policing Grants	16.710	172,357
Enforcing Underage Drinking Laws Program	16.727	(46,700)
Forensic DNA Backlog Reduction Program	16.741	273,155
Forensic Casework DNA Backlog Reduction Program	16.743	(18,756)
Total U.S. Department of Justice		6,857,798
U.S. Environmental Protection Agency		
Air Pollution Control Program Support	66.001	946,571
State Indoor Radon Grants	66.032	100,000
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to Clean Air Act	66.034	105,707
Clean School Bus USA	66.036	2,025
Construction Grants for Wastewater Treatment Works	66.418	(12,507)
Water Pollution Control-State and Interstate Program Support	66.419	1,269,339
Water Quality Management Planning	66.454	100,000
Nonpoint Source Implementation Grants	66.460	1,096,735

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Water Quality Cooperative Agreements	66.463	58
Chesapeake Bay Program	66.466	783,001
Capitalization Grants for Drinking Water State Revolving Funds	66.468	12,507
Performance Partnership Grants	66.605	134,622
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	80,000
TSCA Title IV State Lead Grants–Certification of Lead Based Paint Professionals	66.707	953,560
Integrated Pest Management	66.716	380
Hazardous Waste Management State Program Support	66.801	256,175
State and Tribal Underground Storage Tanks Program	66.804	411,231
Superfund State Core Program Cooperative Agreements	66.809	112,150
State and Tribal Response Program Grants	66.817	384,977
Total U.S. Environmental Protection Agency		6,736,531
Corporation for National and Community Service		
Learn and Serve Community Based Program	94.004	281,104
AmeriCorps	94.006	2,885,218
ARRA - AmeriCorps	94.006	95,686
Planning and Program Development Grants	94.007	734,082
Training and Technical Assistance	94.009	74,353
Senior Companion Program	94.016	306,240
Total Corporation for National and Community Service		4,376,683
U.S. Department of Commerce		
Investments for Public Works and Economic Development Facilities	11.300	2,000,000
Chesapeake Bay Studies	11.457	160,486
Atlantic Coastal Fisheries Cooperative Management	11.474	10,228
Public Safety Interoperable Communications Grant Program	11.555	1,505,970
Measurement and Engineering Research and Standards	11.609	7,315
Total U.S. Department of Commerce		3,683,999

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
U.S. Department of Defense		
Procurement Technical Assistance For Business Firms	12.002	130,605
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	508,184
National Guard Military Operations and Maintenance (O&M) Projects	12.401	1,905,170
Youth Challenge Program	12.404	214,925
Military Medical Research and Development	12.420	2,219
Total U.S. Department of Defense		2,761,103
U.S. Department of the Interior		
Urban Design and Transportation Study	15.000	60,000
Sport Fish Restoration	15.605	1,068,768
State Wildlife Grants	15.634	8,290
USGS-WRRI Student Internship Program	15.805	46,333
Historic Preservation Fund Grants-In-Aid	15.904	452,892
Total U.S. Department of the Interior		1,636,283
Institute of Museum and Library Services		
Grants to States	45.310	1,245,526
U.S. Department of Energy		
National Energy Information Center	81.039	13,170
State Energy Program	81.041	236,925
ARRA - State Energy Program	81.041	6,480
Weatherization Assistance for Low-Income Persons	81.042	770,868
Total U.S. Department of Energy		1,027,443
National Endowment for the Arts		
Promotion of the Arts-Partnership Agreements	45.025	677,836
National Science Foundation		
Computer and Information Science and Engineering	47.070	6,644
Stem Research and Training Center	47.076	501,942
Total National Science Foundation		508,586

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by Federal Grantor

Year ended September 30,		2009
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Equal Employment Opportunity Commission		
Employment Discrimination_Title VII of the Civil Rights Act of 1964	30.001	169,000
Internal Revenue Service, Department of Treasury		
Low Income Taxpayer Clinics	21.008	84,761
General Services Administration		
Public Buildings Service	39.012	67,500
National Endowment for the Humanities		
Promotion of the Humanities Division of Preservation and Access	45.149	17,022
Promotion of the Humanities-Public Programs	45.164	1,000
Total National Endowment for the Humanities		18,022
Total Expenditures of Federal Awards		$ 2,542,553,558

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Department of Health Care Finance		
Children's Health Insurance Program	93.767	$ 11,263,055
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	564,015
Medical Assistance Program	93.778	1,140,048,576
ARRA - Medical Assistance Program	93.778	130,948,498
Money Follows the Person Rebalancing Demonstration	93.791	1,027,648
Medicaid Transportation Grant	93.793	1,798,391
Total Department of Health Care Finance		1,285,650,183
Department of Employment Services		
Labor Force Statistics	17.002	530,078
Employment Service	17.207	2,515,610
Unemployment Insurance	17.225	360,497,843
ARRA - Unemployment Insurance	17.225	23,394,471
Senior Community Service Employment Program	17.235	606,830
ARRA - Senior Community Service Employment Program	17.235	26,354
WIA Adult Program	17.258	2,691,138
ARRA - WIA Adult Program	17.258	979,347
WIA Youth Activities	17.259	2,416,917
WIA Dislocated Workers	17.260	3,618,817
ARRA - WIA Dislocated Workers	17.260	98,980
WIA Navigator Project	17.266	130,012
Work Opportunity Tax Credit Program	17.271	56,807
Temporary Labor Certification for Foreign Workers	17.273	93,517
Consultation Agreements	17.504	437,346
Disabled Veterans' Outreach Program (DVOP)	17.801	265,427
Local Veterans' Employment Representative Program	17.804	289,940
Total Department of Employment Services		398,649,434
Department of Human Services		
Supplemental Nutrition Assistance Program	10.551	8,533,880

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
ARRA - Supplemental Nutrition Assistance Program	10.551	380,244
State Administrative Matching Grants for Food Stamp Program	10.561	3,036,340
D.C. Fatherhood Initiative	93.086	1,282,186
Temporary Assistance for Needy Families	93.558	96,423,759
Refugee and Entrant Assistance-State Administered Programs	93.566	953,200
Community Services Block Grant	93.569	10,922,985
ARRA - Community Services Block Grant	93.569	5,616,382
Developmental Disabilities Basic Support and Advocacy Grant	93.630	296,328
Social Services Block Grant	93.667	7,168,275
Family Violence Prevention and Services State Grants	93.671	698,204
Medical Assistance Program	93.778	14,812,400
Total Department of Human Services		150,124,183
District Department of Transportation		
Cooperative Forestry Assistance	10.664	163,020
Highway Planning and Construction	20.205	140,157,048
ARRA - Highway Planning and Construction	20.205	2,671,133
Federal Transit – Metropolitan Planning Grants	20.505	380,924
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	158,444
State and Community Highway Safety	20.600	2,519,368
Total District Department of Transportation		146,049,937
Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16,071,655
ARRA - Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	370,164
State Administrative Matching Grants for Food Stamp Program	10.561	1,901,742
Commodity Supplemental Food Program	10.565	444,960
WIC Farmers Market Nutrition Program (FMNP)	10.572	226,600
Senior Farmers Market Nutrition Program	10.576	130,000
Shelter Plus Care	14.238	427,074

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Housing Opportunities for Persons with AIDS	14.241	14,797,845
Compensation and Working Conditions	17.005	73,000
Safe and Drug-Free Schools and Communities-State Grants	84.186	284,670
Consumer Affairs	93.002	2,264,725
Vital Statistics Re-engineering Program	93.066	164,228
Public Health Emergency Preparedness	93.069	6,254,498
Food and Drug Administration_Research	93.103	5,000
Maternal and Child Health Federal Consolidated Programs	93.110	354,942
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,184,662
Primary Care Services-Resource Coordination and Development	93.130	117,147
Injury Prevention and Control Research and State and Community Based Programs	93.136	78,166
Traumatic Brain Injury State Demonstration Grant Program	93.234	156,314
Substance Abuse and Mental Health Services	93.243	456,605
Universal Newborn Hearing Screening	93.251	188,531
Immunization Grants	93.268	1,999,161
Substance Abuse and Mental Health Services - Access to Recovery	93.275	3,396,117
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	2,823,808
Refugee and Entrant Assistance-Discretionary Grants	93.576	50,273
Children's Health Insurance Program	93.767	7,209
Medical Assistance Program	93.778	(22,362,940)
Bioterrorism and Hospital Preparedness	93.889	2,277,735
HIV Emergency Relief Project Grants	93.914	29,573,298
HIV Care Formula Grants	93.917	18,421,342
Healthy Start Initiative	93.926	4,250,942
HIV Prevention Activities	93.940	7,791,803
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,525,591

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Assistance Programs for Chronic Disease Prevention and Control	93.945	287,837
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7,302,373
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	1,629,630
Cooperative Agreements for State-Based Diabetes Control Programs	93.988	169,293
Preventive Health and Health Services Block Grant	93.991	830,843
Maternal and Child Health Services Block Grant to the States	93.994	5,613,514
Total Department of Health		111,540,357
Office of the State Superintendent of Education		
School Breakfast Program	10.553	4,978,411
National School Lunch Program	10.555	17,729,935
ARRA - National School Lunch Program	10.555	215,764
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	13,506
Child and Adult Care Food Program	10.558	4,870,778
Summer Food Service Program for Children	10.559	3,849,985
Nutrition Education and Training Program	10.564	68,593
Emergency Food Assistance Program (Administrative Costs)	10.568	172,280
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568	59,863
Child Nutrition Discretionary Grants Limited Availability	10.579	343,301
Fresh Fruit and Vegetable Program	10.582	253,624
State Adult Education	84.002	1,286,324
Title I Grants to Local Educational Agencies	84.010	8,961,840
Title I Program for Neglected and Delinquent Children	84.013	269,903
Special Education-Grants to States	84.027	4,595,309
Career and Technical Education-Basic Grants to States	84.048	3,127,655
State Student Incentive Grant/Supplement	84.069	433,011
Special Education-Preschool Grants	84.173	125,119
Special Education-Grants for Infants and Families with Disabilities	84.181	2,309,001
Byrd Honors Scholarships	84.185	54,000
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,008,421
Education for Homeless Children and Youth	84.196	203,582

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Even Start-State Educational Agencies	84.213	329,426
Tech-Prep Education	84.243	724,857
Charter Schools	84.282	7,623,878
Twenty-First Century Community Learning Centers	84.287	5,352,562
Title VII-Innovative Education Program	84.298	144,812
Education Technology State Grants	84.318	67,650
State Program Improvement - Special Education	84.323	300,556
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	74,433
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,030,248
Teacher Quality Enhancement Grants	84.336	(71,654)
Transition to Teaching	84.350	184,377
Title I Reading First State Grants	84.357	1,177,177
Title III Language Acquisition State Grant	84.365	843,640
Math Science Partnership	84.366	115,801
Improving Teacher Quality State Grants	84.367	9,692,849
Grants for Enhanced Assessment Instruments	84.368	258,551
Grants for State Assessments and Related Activities	84.369	4,589,467
Statewide Data Systems	84.372	832,375
School Improvement Grants	84.377	679,992
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,581,236
Improvements of the Health and Well-Being of Youth	93.938	197,046
Total Office of the State Superintendent of Education		99,659,484
Homeland Security and Emergency Management Agency		
Public Safety Interoperable Communications Grant Program	11.555	1,505,970
Special Projects	97.001	6,550
Urban Areas Security Initiative	97.008	1,370,538
State and Local Assistance	83.534	29,998
Disaster Grants - Public Assistance	97.036	10,879,150

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Emergency Management Performance Grants	97.042	1,591,686
Homeland Security Grant Program	97.067	54,464,034
MAP Modernization Management Support	97.070	1,555
Rail and Transit Security Grant Program	97.075	3,506,605
Buffer Zone Protection Plan	97.078	566,998
Regional Catastrophic Preparedness Grant Program	97.111	249,557
Total Homeland Security and Emergency Management Agency		74,172,641
D.C. Public Schools		
Title I Grants to Local Educational Agencies	84.010	29,703,172
Special Education-Grants to States	84.027	12,256,184
Impact Aid	84.041	1,510,806
Improving Teacher Quality State Grants	84.367	7,518,235
Head Start - Direct Funding	93.600	7,075,762
Head Start - Pass-through Funding (Agreement No. 080708)	93.600	3,688,471
Improvements of the Health and Well-Being of Youth	93.938	58,409
Total D.C. Public Schools		61,811,039
Child and Family Services Agency		
Promoting Safe and Stable Families	93.556	971,309
Children's Justice Act	93.643	49,999
Child Welfare Services-State Grants	93.645	326,853
Foster Care - Title IV-E	93.658	26,940,565
ARRA - Foster Care - Title IV-E	93.658	1,234,781
Adoption Assistance	93.659	20,177,781
ARRA - Adoption Assistance	93.659	1,352,046
Child Abuse and Neglect State Grants	93.669	85,971
Chafee Foster Care Independent Living	93.674	1,028,654
Total Child and Family Services Agency		52,167,959
Department of Housing and Community Development		
Community Development Block Grants/Entitlement Grants	14.218	18,724,172

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Emergency Shelter Grants Program	14.231	1,438,892
Shelter Plus Care	14.238	3,286,375
HOME Investment Partnerships Program	14.239	13,698,402
Lead-Based Paint Hazard Control	14.900	(403,573)
Total Department of Housing and Community Development		36,744,268
District Department of Environment		
Chesapeake Bay Studies	11.457	160,486
Atlantic Coastal Fisheries Cooperative Management	11.474	10,228
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	508,184
Sport Fish Restoration	15.605	1,068,768
State Wildlife Grants	15.634	8,290
Air Pollution Control Program Support	66.001	946,571
State Indoor Radon Grants	66.032	100,000
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to Clean Air Act	66.034	105,707
Clean School Bus USA	66.036	2,025
Construction Grants for Wastewater Treatment Works	66.418	(12,507)
Water Pollution Control-State and Interstate Program Support	66.419	1,269,339
Water Quality Management Planning	66.454	100,000
Nonpoint Source Implementation Grants	66.460	1,096,735
Water Quality Cooperative Agreements	66.463	58
Chesapeake Bay Program	66.466	783,001
Capitalization Grants for Drinking Water State Revolving Funds	66.468	12,507
Performance Partnership Grants	66.605	134,622
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	80,000
TSCA Title IV State Lead Grants–Certification of Lead Based Paint Professionals	66.707	953,560
Hazardous Waste Management State Program Support	66.801	256,175

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
State and Tribal Underground Storage Tanks Program	66.804	411,231
Superfund State Core Program Cooperative Agreements	66.809	112,150
State and Tribal Response Program Grants	66.817	384,977
National Energy Information Center	81.039	13,170
State Energy Program	81.041	236,925
ARRA - State Energy Program	81.041	6,480
Weatherization Assistance for Low-Income Persons	81.042	770,868
Childhood Lead Poisoning Prevention Projects_State and Local	93.197	159,870
Low-Income Home Energy Assistance Program	93.568	16,709,179
Total District Department of Environment		26,388,599
Department of Disability Services		
Vocational Rehabilitation Grants to States	84.126	11,810,402
Rehabilitation Services-Client Assistance Program	84.161	140,236
Independent Living-State Grants	84.169	350,464
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	224,063
Supported Employment Services for Individuals with Severe Disabilities	84.187	307,956
Assistive Technology	84.224	361,892
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	28,842
ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States	84.390	120,095
Medical Assistance Program	93.778	3,946,580
Social Security_Disability Insurance	96.001	7,235,350
Total Department of Disability Services		24,525,880
University of the District of Columbia		
Pesticide Application Training	10.025	6,272
Grants for Agricultural Research, Special Research Grants	10.200	37,205
Agricultural Experiment Station	10.203	1,765,890
Cooperative Extension Service	10.500	14,270

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Commodity Distribution Program	10.550	31,060
Measurement and Engineering Research and Standards	11.609	7,315
Military Medical Research and Development	12.420	2,219
USGS-WRRI Student Internship Program	15.805	46,333
Low Income Taxpayer Clinics	21.008	84,761
Computer and Information Science and Engineering	47.070	6,644
Stem Research and Training Center	47.076	501,942
Integrated Pest Management	66.716	380
Federal Supplemental Educational Opportunity Grants	84.007	495,687
Higher Education Institutional Aid	84.031	3,112,290
Job Locator Development	84.033	248,327
TRIO-Student Support Services	84.042	475,437
TRIO-Talent Search	84.044	361,770
TRIO-Upward Bound	84.047	252,187
Federal Pell Grant Program	84.063	8,918,614
Special Education - Personnel Preparation to Improve Services	84.325	115,508
Transition to Teaching	84.350	148,116
Minority Health and Health Disparities Research	93.307	614,515
Cancer Centers Support	93.397	165,205
Cancer Research Manpower	93.398	308,777
Head Start - Direct Funding	93.600	140,161
MBRS - Research	93.859	269,699
US DHHS SDA Speech Pathology (GRAD)	93.925	61,223
Planning and Program Development Grants	94.007	696,735
Senior Companion Program	94.016	306,240
Total University of the District of Columbia		19,194,782
Office of the Attorney General		
Child Support Enforcement	93.563	18,281,465
Child Support Enforcement Research	93.564	49,173
Access and Visitation Program	93.597	76,275
Total Office of the Attorney General		18,406,913

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30,		2009
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Department of Mental Health		
Public Health and Social Services Emergency Fund	93.003	6,000
Projects for Assistance in Transition from Homelessness (PATH)	93.150	291,557
Oral Health Expansion	93.236	153,172
Substance Abuse and Mental Health Services	93.243	805,348
Medical Assistance Program	93.778	5,961,686
Early Periodic Screening & Treatment to Adult Support	93.779	(1,116)
Block Grants for Community Mental Health Services	93.958	737,706
Total Department of Mental Health		7,954,353
Office on Aging		
Nutrition Program for the Elderly	10.570	645,520
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	989,102
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1,799,399
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	3,200,186
Special Programs for the Aging_Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.552	44,498
ARRA - Aging Congregate Nutrition Services for States	93.707	46,745
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	214,157
Total Office on Aging		6,939,607
Metropolitan Police Department		
Asset Forfeitures	16.000	825,000
Law Enforcement Assistance_Narcotics and Dangerous Drugs_ Laboratory Analysis	16.001	1,029,590
Services for Trafficking Victims	16.320	37,909
Law Enforcement Assistance_Office of Community Anti-Crime Programs	16.519	(167)
National Criminal History Improvement Program (NCHIP)	16.554	(2,656)

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Crime Victim Assistance /Discretionary Grants	16.582	211,842
Community Capacity Development Office	16.595	(5,422)
Public Safety Partnership and Community Policing Grants	16.710	172,357
Forensic DNA Backlog Reduction Program	16.741	273,155
Forensic Casework DNA Backlog Reduction Program	16.743	(18,756)
National Motor Carrier Safety	20.218	489,236
Safety Data Improvement Program	20.234	(15)
State Traffic and Safety Information System Improvement Grants	20.610	2,563
Homeland Security Preparedness Technical Assistance Program	97.007	64,740
Boating Safety Financial Assistance	97.012	1,019,556
Total Metropolitan Police Department		4,098,932
Serve D.C.		
Learn and Serve Community Based Program	94.004	281,104
AmeriCorps	94.006	2,885,218
ARRA - AmeriCorps	94.006	95,686
Planning and Program Development Grants	94.007	37,347
Training and Technical Assistance	94.009	74,353
Total Serve D.C.		3,373,708
Office of Justice Grants Administration		
Prisoner Reentry Initiative Demonstration	16.202	(275,155)
Juvenile Accountability Incentive Block Grants	16.523	199,957
Title II Formula Grant - Administration	16.540	460,462
Paul Coverdell Forensic Science	16.550	99,334
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	369,335
Byrne Formula Grant	16.579	786,396
Edward Bryne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	654,276
Residential Substance Abuse Treatment for State Prisoners	16.593	108,317
Reintegration of Ex-Offenders	17.270	130,434
Total Office of Justice Grants Administration		2,533,356

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
D.C. National Guard		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	1,905,170
Youth Challenge Program	12.404	214,925
Total D.C. National Guard		2,120,095
Department of Real Estate Services		
Investments for Public Works and Economic Development Facilities	11.300	2,000,000
Office of Victim Services		
Crime Victim Assistance	16.575	1,039,668
ARRA - Crime Victim Assistance	16.575	37,500
Crime Victim Assistance /Discretionary Grants	16.582	92,254
Violence Against Women Formula Grants	16.588	600,089
ARRA - Violence Against Women Formula Grants	16.588	36,153
Total Office of Victim Services		1,805,664
Office of Inspector General		
State Medicaid Fraud Control Units	93.775	1,783,248
D.C. Public Library		
Promotion of the Humanities Division of Preservation and Access	45.149	17,022
Promotion of the Humanities-Public Programs	45.164	1,000
Grants to States	45.310	1,245,526
Total D.C. Public Library		1,263,548
Office of the Chief Financial Officer		
State Administrative Matching Grants for Food Stamp Program	10.561	937,813
Commission on Arts and Humanities		
Promotion of the Arts-Partnership Agreements	45.025	677,836
Office of Municipal Planning		
Urban Design and Transportation Study	15.000	60,000
Historic Preservation Fund Grants-In-Aid	15.904	452,892
Public Buildings Service	39.012	67,500
Total Office of Municipal Planning		580,392

Government of the District of Columbia

Schedule of Expenditures of Federal Awards - by District Agency

Year ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
Department of Motor Vehicles		
Motor Carrier Safety	20.217	80,565
National Motor Carrier Safety	20.218	458,955
Total Department of Motor Vehicles		539,520
Department of Human Rights		
National Fair Housing Training Academy	14.401	148,156
Employment Discrimination_Title VII of the Civil Rights Act of 1964	30.001	169,000
Total Department of Human Rights		317,156
Department of Corrections		
Comprehensive Communities Program	16.572	148,415
Board of Elections & Ethics		
Election Assistance for Individuals with Disabilities	93.617	138,001
Department of Small & Local Business Development		
Procurement Technical Assistance For Business Firms	12.002	130,605
Public Service Commission		
Pipeline Safety	20.700	124,679
Criminal Justice Coordinating Council		
Paul Coverdell Forensic Science	16.550	24,645
Department of Youth Rehabilitation Services		
WIA Pilots, Demonstrations, and Research Projects	17.261	23,026
City Administrator/Deputy Mayor		
Paul Coverdell Forensic Science	16.550	24,196
Residential Substance Abuse Treatment for State Prisoners	16.593	(24,196)
Total City Administrator/Deputy Mayor		0
Deputy Mayor for Economic Development		
Enforcing Underage Drinking Laws Program	16.727	(46,700)
Total Expenditures of Federal Awards		$ 2,542,553,558

Government of the District of Columbia

Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2009

1. Summary of Significant Accounting Policies

Reporting Entity

The Schedules of Expenditures of Federal Awards (the Schedules) include the activity of all federal award programs administered by the Government of the District of Columbia (District), except for the District of Columbia Housing Finance Agency (HFA) and the District of Columbia Water & Sewer Authority (WASA), for the fiscal year ended September 30, 2009. HFA and WASA contract for separate audits in compliance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The federal awards for these two entities are excluded from the Schedules.

Federal award programs include direct expenditures, monies passed through to nonstate agencies (i.e., payments to subrecipients), nonmonetary assistance, and loan programs.

Basis of Presentation

The Schedules present total federal awards expended for each individual federal program in accordance with OMB Circular A-133. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the Catalog are identified by Federal Agency number followed by (.000).

Basis of Accounting

The expenditures for each of the federal award programs are presented in the Schedules on a modified accrual basis. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. Thus, those Federal programs presenting negative amounts on the Schedules are the result of prior year estimates being overstated and/or reimbursements due back to the grantor.

Matching Costs

Matching costs, the nonfederal share of certain programs costs, are not included in the Schedules.

2. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedules, which are prepared on the basis explained in note 1.

3. **Federally Funded Loan Programs**

Home Investment Partnerships Program (CFDA # 14.239)
The amount in the accompanying schedules does not reflect $52,955,608 of outstanding loans at September 30, 2009, as well as the value of new loans $20,655,282 made during the fiscal year, less adjustments and principal payments of $7,100,845.

Family Federal Education Loan Program (CFDA # 84.032)
The District, through the University of the District of Columbia (UDC), participates in the Federal Family Education Loans Program (FFELP), which includes the Federal Stafford Loan Program and the Federal Parents' Loans for Undergraduate Students Program. New loans, disbursed by lending institutions, were made to students enrolled at the University of the District of Columbia for $7,506,817 during the year ended September 30, 2009; this amount is not included in the Schedules.

4. **Rebates from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

During fiscal year 2009, the District received cash rebates from infant formula manufacturers in the amount of approximately $5.5 million on sales of formula to participants in the WIC program (CFDA #10.557), which are netted against total expenditures included in the Schedules. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

5. **Unemployment Insurance (UI)**

State unemployment tax revenues and the governmental, tribal, and non-profit reimbursements in lieu of State taxes (State UI funds) must be deposited to the Unemployment Trust Fund in the U.S. Treasury, primarily to be used to pay benefits under the federally approved State unemployment law. Consequently, State UI funds as well as Federal funds are included in the total expenditures of CFDA #17.225 in the accompanying Schedules.

The composition of CFDA #17.225 is as follows:

State UI Benefits	$ 206,864,273
Federal UI Benefits	12,668,095
Federal Extended UI Benefits	127,848,651
Federal UI Administrative Expenditures	13,116,824
	360,497,843
ARRA - Federal UI	23,394,471
Total	$ 383,892,314

6. **Research and Development Programs** The District receives and expends federal funding for various research and development programs. The aggregate amount of such expenditures for the year ended September 30, 2009, did not equal an amount that would constitute a major program under the guidelines of OMB Circular A-133.

7. **Subrecipients** Of the federal expenditures presented in the Schedules, the District provided federal awards to major program subrecipients as follows. It is not practicable to determine amounts passed to subrecpients of nonmajor programs.

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Homeland Security Grant Program	97.067	$ 51,468,943
HIV Emergency Relief Project Grants	93.914	25,555,794
Housing Opportunities for Persons with AIDS	14.241	14,380,776
Title I Grants to Local Educational Agencies	84.010	12,022,861
Foster Care – Title IV-E	93.658	11,365,375
Community Services Block Grant	93.569	10,321,452
Temporary Assistance for Needy Families	93.558	10,295,700
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	9,662,726
ARRA – Community Services Block Grant	93.569	5,616,382
HIV Care Formula Grants	93.917	5,304,367
Charter Schools	84.282	4,919,416
Child and Adult Care Food Program	10.558	3,571,488
Improving Teacher Quality State Grants	84.367	2,604,610
HIV Prevention Activities	93.940	2,502,338
Special Education Cluster	84.027, 84.173	1,824,614
ARRA – Foster Care – Title IV-E	93.658	563,687
Head Start	93.600	118,000
Highway Planning and Administration	20.205	117,623
Public Health Emergency Preparedness	93.069	85,701
Healthy Start Initiative	93.926	8,278

8. **Intra-District Funding and Expenditures** The Public Education Reform Act of 2007 gave the Office of the State Superintendent of Education (OSSE) the authority to serve as the State Educational Agency (SEA) and perform the functions of a SEA for the District under applicable federal law, including grant-making and federal accountability requirements for elementary and secondary education.

Effective October 1, 2007, the District of Columbia Public Schools (DCPS) transitioned its responsibilities for all SEA functions to OSSE in accordance with the Public Education Reform Act, including responsibility for federal grant awards.

Accordingly, OSSE is the SEA charged by federal law and regulations to administer grant awards from the Federal government and DCPS is the Local Educational Agency (LEA) receiving funds for use and expenditure in its schools and programs.

Therefore, in the accompanying Schedule of Expenditures of Federal Awards, by District Agency, expenditures incurred have been presented at the DCPS LEA level for major program awards. It is not practicable to determine these expenditures for nonmajor programs.

Schedule of Findings and Questioned Costs

Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes ____ none reported
- Noncompliance material to financial statements noted? X yes ____ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes ____ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes ____ none reported

Except for CFDA Number 20.205, Highway Planning and Construction, 20.205, ARRA - Highway Planning and Construction, 84.031, Higher Education Institutional Aid, and 84.007, 84.033, 84.063, 93.925, Student Financial Assistance Cluster, all other major programs as identified on pages 42 and 43 have at least one significant deficiency or other instance of noncompliance.

Type of auditors' report issued on compliance for major programs: Qualified

Material noncompliance:

CFDA Number	Name of Federal Program or Cluster
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster
10.551	ARRA – Supplemental Nutrition Assistance Program
10.558	Child and Adult Care Food Program
14.241	Housing Opportunities for Persons with AIDS
17.225	Unemployment Insurance
17.225	ARRA – Unemployment Insurance
84.010	Title I Grants to Local Educational Agencies

CFDA Number	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
84.126, 84.390	Vocational Rehabilitation Cluster
84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States
84.282	Charter Schools
84.367	Improving Teacher Quality State Grants
93.069	Public Health Emergency Preparedness
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.569	Community Services Block Grant
93.569	ARRA – Community Services Block Grant
93.596	Child Care Mandatory & Matching Funds of the Child Care & Development Fund
93.600	Head Start
93.658	Foster Care – Title IV-E
93.658	ARRA – Foster Care – Title IV-E
93.659	Adoption Assistance
93.659	ARRA – Adoption Assistance
93.767	Children's Health Insurance Program
93.775, 93.778	Medical Assistance Program Cluster
93.778	ARRA – Medical Assistance Program
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants
93.926	Healthy Start Initiative
93.940	HIV Prevention Activities
96.001	Social Security – Disability Insurance
97.036	Disaster Grants - Public Assistance
97.067	Homeland Security Grant Program

Any audit findings disclosed that are required to to be reported in accordance with section .510(a) of Circular A-133? ___X___ yes _____ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster
10.551	ARRA – Supplemental Nutrition Assistance Program
10.558	Child and Adult Care Food Program
14.241	Housing Opportunities for Persons with AIDS

Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

CFDA Number	Name of Federal Program or Cluster
17.225	Unemployment Insurance
17.225	ARRA – Unemployment Insurance
20.205	Highway Planning and Construction
20.205	ARRA – Highway Planning and Construction
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.031	Higher Education Institutional Aid
84.007, 84.033, 84.063, 93.925	Student Financial Assistance Cluster
84.126, 84.390	Vocational Rehabilitation Cluster
84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States
84.282	Charter Schools
84.367	Improving Teacher Quality State Grants
93.069	Public Health Emergency Preparedness
93.558	Temporary Assistance for Needy Families
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93.658	ARRA – Foster Care – Title IV-E
93.659	Adoption Assistance
93.659	ARRA – Adoption Assistance
93.767	Children's Health Insurance Program
93.775, 93.778	Medical Assistance Program Cluster
93.778	ARRA – Medical Assistance Program
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants
93.926	Healthy Start Initiative
93.940	HIV Prevention Activities
96.001	Social Security – Disability Insurance
97.036	Disaster Grants - Public Assistance
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 7,627,661

Auditee qualified as low-risk auditee? _____ yes ___X___ no

Section II – Financial Statement Findings

2009-01 District of Columbia Public Schools - Payroll

The District of Columbia Public Schools (DCPS) previously used the Comprehensive Automated Personnel Payroll System (CAPPS) as its payroll system. The District utilized the Unified Personnel Payroll System (UPPS). During FY 2008, the District implemented a new PeopleSoft payroll system. In April 2009, DCPS also implemented PeopleSoft.

CAPPS was less automated and required more manual interfaces and adjustments to record payroll expenditures in SOAR, the District's accounting system of record. The new PeopleSoft system is intended to be a more dynamic and integrated system requiring less manual adjustments.

During our testing of the payroll at DCPS, we noted the following deficiencies:

New Hires in CAPPS

Current process narratives dictate that a Standard Form (SF) 52 is a request for personnel action and is required by DCPS to provide a position description. We noted the following:

1) For 25 out of 45 samples selected by us for testing, we were either not provided the SF 52 personnel document or we received one that was not properly authorized. As a result, we were unable to confirm whether accurate information was entered into CAPPS.

2) For 29 out of 45 samples selected by us for testing, we did not receive an authorized copy of the benefits package. As a result, we were unable to confirm whether accurate benefits information had been entered into CAPPS.

Terminations in CAPPS

Since CAPPS is not capable of generating an employee termination form, DCPS-HR maintains a separate database of all employees in MS Access and uses this customized system to print Form 1 Personnel Action documents. The information from said database is an extract of what is in CAPPS. Based on the notification received, the HR Specialist prints the Form 1 from the system and sends it to the HR Director for approval.

For 44 out of 45 samples selected by us for testing, DCPS was unable to provide an authorized termination form. We recommend that DCPS establish a review process for all terminated employees so that their status is promptly updated.

New Hires in PeopleSoft

Current process narratives dictate that a Standard Form (SF) 52 is a request for personnel action and is required by the agency to provide a position description. New employees have 31 days from date of hire to submit the completed health and life enrollment forms to the Benefits and Compensation Division of HR.

Once the employee submits a signed copy of the benefit package, the HR Specialist-Benefits completes the benefits portion screen in PeopleSoft to reflect the benefits availed.

For 2 out of 45 samples selected by us for testing, we noted that the employee's information was not encoded in a timely manner. We recommend that DCPS implement a more efficient method of entering new employees into PeopleSoft in order to minimize the amount of time between the effective hire date and entry into PeopleSoft.

Terminations in PeopleSoft

In case of employee termination, a Request to Terminate Memo is sent to Human Resources (HR), reviewed by the HR Director, and then HR – Legal prepares severance arrangements. A Form 52 is then generated from PeopleSoft, signed by the HR Director, and sent to payroll, the agency, and the employee's personnel file. For 3 out of 45 samples selected by us for testing, we noted that the employee's information was not encoded in a timely manner. We recommend that DCPS establish a review process for all terminated employees so that their status is promptly updated in PeopleSoft.

Transfers

If an employee transfers to another agency, the employee number stays with them. HR personnel, other than the HR Specialist (e.g., HR Assistant, Supervisor, or Manager) perform a quality control online review to ensure all information is accurate and sign the Form SF 52 to evidence review.

For the 2 samples selected by us for testing, the Personnel Action for Transfer was not properly authorized and we were unable to confirm that accurate information had been entered into PeopleSoft. We recommend that DCPS establish a review process for all transferred employees that confirms that their paperwork has been properly authorized and recorded in PeopleSoft.

Management's Response:

DCPS completed the conversion from the old CAPPS HR system to the PeopleSoft system in April 2009. PeopleSoft is the district-wide HR system of record, so in addition to improving service for DCPS employees, the agency now has many more system-wide resources available to it to help solve problems. Unfortunately, the audit reflects 7 months of a fiscal year wherein DCPS had not yet made this transition.

The process for "New Hires" has shown great improvement since the introduction of PeopleSoft. While the CAPPS related samples identified a problem with timeliness in 55% of the sample set, the PeopleSoft related samples identified only a 4% problem. As noted, in CAPPS, the completion and authorization of the Form 52 personnel documents were done manually allowing for more error. These forms are now completed on-line via PeopleSoft.

The Employee Self Service (ESS) application through PeopleSoft gives employees direct access to their individual benefits with greater ease, flexibility, and control. DCPS-HR has also established an internal process to support employees who may not have access to the on-line benefits systems.

Additionally, DCPS-HR will be updating its existing Standard Operating Procedures (SOP) manual to include the changes to its internal controls processes due to the PeopleSoft system conversion.

Similarly, the termination process has been greatly improved with the introduction of PeopleSoft. While the CAPPS related samples identified a 97% error rate, the PeopleSoft related samples identified only a 6% error rate. DCPS will continue to improve on the timeliness of termination paperwork, however, the improvements to this process since the introduction of PeopleSoft, must not be overlooked. Due to the sensitive nature surrounding the termination process, DCPS-HR has established a tracking system which will notify the appropriate HR management and staff (as needed) of any pending termination actions to ensure termination actions are properly coded and processed in a timely manner via the PeopleSoft system. DCPS HR will be updating its existing SOP Manual to include the changes to its internal controls processes due to the PeopleSoft system conversion.

DCPS-HR follows the District's Employee Transfer policies to ensure all agency transfers are handled in accordance with the District's standards. DCPS will continue to work to ensure all transfers to other agencies have a smooth transition. Additionally, DCPS-HR will update its SOP Manual to reflect these process changes.

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2009-02 Management of the Medicaid Program

In its FY 2009 *Report on the Activities of the Office of the Inspector General* (OIG) dated December 1, 2009, the OIG identified the Medicaid Program as one of the areas of risk for the District of Columbia. The Medicaid program has also been identified as a risk area in previous years. The assessment continues to state that the impact of potential losses to the District is significant.

Following are the issues noted during our audit process.

Delay in Issuance of Audited Cost Reports

Various District agencies, including the District of Columbia Public Schools (DCPS), Child and Family Services Agency (CFSA), and the Department of Mental Health (DMH) provide Medicaid services to eligible District residents. The costs incurred by these agencies are summarized in a cost report that is submitted to the Department of Health Care Finance (DHCF), for approval before those claims are submitted to the Federal government for reimbursement.

The cost reports are required by the Medicaid State Plan to be audited. We noted that final audited cost reports for these agencies are completed after a significant period of time. Reasons for the delay in the completion of the audit of the cost reports are generally due to: (1) delays in submission of cost reports by District agencies; (2) appeals by the agencies for the disallowances by DHCF caused by failure to file Medicaid claims timely, as well as to provide sufficient support for the claims that are incurred; and (3) delays in resubmission of revised cost reports together with the additional documentation to support previously disallowed claims. The difference between costs submitted for reimbursement and the costs actually reimbursed result in the use of local, rather than federal, dollars to fund continued Medicaid expenditures.

The summary below shows the status of the cost report audits:

Agency	Cost Report Audit Completed	Cost Report Available for Audit	Status of Cost Report Audit
1. DCPS	Up to FY 2006	FY 2007, FY 2008	FY 2007 audit in process.
2. CFSA	Up to FY 2005	FY 2006, FY 2007, FY 2008	FY 2006 and FY 2007 audits in process.
3. DMH	Up to FY 2006	FY 2007, FY 2008	FY 2007 audit completed subsequent to 9/30/09.

We recommend District agencies improve the claims submission process and submit cost reports to DHCF on time and improve communication and better coordinate the submission of claims by agencies in a form that is acceptable to DHCF. We also recommend that cost report audits be done in a timely manner. This will allow the District to reduce the time between Medicaid expenditures being incurred and the ultimate reimbursement from the Federal government.

Management's Response:

District of Columbia Public Schools - Field work for the audit of FY 2007 is in process. The final version of the FY 2008 cost report was submitted December 2, 2009.

Child and Family Services Agency - Field work for the audits of FY 2006 and 2007 are in process. The FY 2008 cost report was submitted September 21, 2009.

Department of Mental Health - The final Notice of Program Reimbursement, based on the audited FY 2007 cost report, was issued January 8, 2010. The FY 2008 cost report was submitted October 16, 2009.

Management believes it is reasonably timely, by industry standards, in completing these public provider audits. Completion of the District's annual CAFR audit is necessary to prepare final adjustments before cost reports can be completed. Given efficient preparation and filing of cost reports, the time required to complete audit field work, hold exit conferences, and resolve outstanding issues is likely to extend beyond September 30th of each year.

Potential Claims Disallowance and Accounts Receivable Write-offs

At September 30, 2008, the District accrued significant liabilities for potential claims disallowance pertaining to Child and Family Services Agency (CFSA) and District of Columbia Public Schools (DCPS) from FY 2003 through FY 2008. In addition, the District also significantly reduced the Medicaid accounts receivable for CFSA during FY 2008. The amounts were estimated based on an availability of the latest audited cost reports mentioned earlier.

We noted that CFSA and DCPS had been very aggressive in claiming Medicaid reimbursements. Based on the audited cost reports, the potential disallowances were mainly due to claim expenditures that were not adequately supported and claim reimbursements that were not allowable.

As a result of the potential disallowances from previous years, the District has written off additional Medicaid accounts receivable for CFSA in the amount of $32,055,553 during FY 2009. Additionally, management estimated potential disallowances for claims pertaining to FY 2009 for CFSA and recorded these as accrued liabilities in the accounting records at year-end in the amount of $6,773,412. There were no such amounts for DCPS during FY 2009.

The District should improve its claims documentation in order to minimize potential disallowances in future years. In addition, it must ensure that all claims submitted are allowable and fully supported in accordance with the approved Medicaid State Plan. Further, receivable balances should be reviewed regularly to ensure that only valid receivables are reflected on the books.

Management's Response:

Throughout 2009, DHCF has coordinated efforts to reform the District's Medicaid billing practice to significantly reduce the risk of future liabilities related to the Medicaid program.

Based on the recommendations from the George Washington University report, *Improving Medicaid: Assessment of District of Columbia Agencies Claims Processes and Recommendations for Improvements in Efficiency and Customer Service,* DHCF issued an RFP on July 13, 2009, to solicit bids for an Administrative Services Organization (ASO) contract. The ASO will be responsible for implementing and operating a claim and payment management system and other administrative functions on behalf of the various Partner Agencies that receive Medicaid reimbursement or are responsible for operational functions of the Medicaid program which serves eligible District residents. The ASO contract is currently under legal sufficiency review by the Office of the Attorney General and then will be sent to Council for approval. Based on this timeline, the contract will be awarded in early 2010.

DHCF collaborated with DCPS and the Office of State Superintendent of Education (OSSE) to submit a state plan amendment (SPA) to the Centers for Medicare and Medicaid Services (CMS) to expand school based health services to students with individual education plans (IEPs). This SPA minimizes potential disallowance risk in the future because it includes a random moment time study, a CMS-approved cost report, and establishes a new reimbursement methodology. DHCF received official notice of the SPA approval on September 24, 2009; the effective date of the SPA is October 1, 2009. DHCF, DCPS, and OSSE are currently implementing the SPA. In addition, OSSE and DCPS continue implementation of an electronic data system to capture information related to Medicaid-billable services, which will ameliorate documentation deficiencies.

Due to potential disallowances caused by claiming unallowable services and inadequate supporting documentation for allowable services, CFSA suspended Medicaid claiming on January 31, 2009. Since then, DHCF and CFSA have engaged in redesigning how case management and behavioral health services will be delivered and claimed under the Medicaid program. DHCF will submit a SPA to CMS in 2010 for case management services that will reduce the risk of future paybacks to the Federal government because it takes a more conservative approach to defining what case management services are and is in compliance with new CMS regulations that limited the definition of case management services.

DHCF has also implemented a public provider review process. The review measures the public provider's adherence to Medicaid documentation requirements and provides DHCF the opportunity to develop recommendations for improvement and how to target technical assistance. DHCF will also issue a school based health services guidebook in 2010. This guidebook will highlight Federal and District requirements as they relate to school health services, define allowable services, outline documentation guidelines, and more. DHCF anticipates issuing similar guidance related to the Targeted Case Management SPA once it is approved.

Maintenance of Supporting Documents at Income Maintenance Administration (IMA)

The Department of Human Services' Income Maintenance Administration (IMA) is responsible for determining eligibility of participants in the Medicaid program. IMA uses the Automated Client Determination System (ACEDS) to evaluate the eligibility of an applicant. We noted the following during our review of 132 participant files which had been selected for testing:

1) 2 participant files did not have signed application forms.

2) 4 participant files did not have verification of the applicant's income.

3) 4 participant files did not have complete and signed citizenship declaration forms.

4) 4 participant files did not show that the social security number was furnished or was verified.

5) 3 participant files did not have proof of the participant being a qualified alien.

6) 1 participant file did not have proof that the recertification was done within the required twelve months.

The District is required to maintain source documentation to support the eligibility of Medicaid recipients. Further, it is important to produce certain detailed records at specific time periods, and to maintain these records for possible analysis by users such as management, independent auditors, or other governmental bodies. We recommend that IMA review its existing processes for document retention, as not having the required documentation can increase the possibility of disallowance of these expenditures.

Management's Response:

The Department of Human Services (DHS) agrees with the recommendation. While there is some disagreement regarding some of the findings in the participant files, IMA agrees that additional processes are required to ensure the source eligibility documentation is contained in the record and available for the auditors for inspection. These changes would eliminate or reduce findings where the documentation to support eligibility is absent from the record. With regard to documentation of a verified social security number or alien status, DHS has an electronic interface with the Social Security Administration and the Immigration and Nationalization Service which verifies the recipient's status. Therefore, users would be required to view the verification in ACEDS or request a print-out of the document.

For future audits, IMA will review and print the electronic information consistently requested during the audit process, in advance. To address the time it takes to provide the case record, as well as address lost or misplaced documentation, in December 2009, IMA management implemented a system of accountability to ensure the successful retention and maintenance of Medicaid eligibility information. This process includes a system of management and staff accountability, which includes assignment of daily tasks and monitoring completion. Secondly, the Document Imaging Management System (DIMS) Request for Proposal was issued by the Office of Contracting and Procurement on January 8, 2010. The contract will include system development as well as document conversion. Based on an assessment in January 2009, IMA had over 22 million documents stored in the IMA service centers. Digitization of the case records and scanning of all incoming documents will further support the case record maintenance improvements. The expected date of contract award is March 2010.

Medicaid Provider Programs and Claims

DCPS requires that providers log onto the EASY-IEP system to record their encounter based visits. DCPS also requires the provider to subsequently print out these logs and sign them so that DCPS can capture a signed image supporting the Medicaid claim. Documentation such as IEP's, attendance records, and trip tickets should be on file for all Medicaid claims.

During our review of Medicaid claims, we noted that documentation (IEP's, attendance records, and trip tickets) for 3 out of 45 Medicaid claims could not be located. In addition, 22 out of 45 Medicaid claims were missing the proper authorization(s).

DCPS should require that written approvals be obtained before disbursing money for Medicaid Claims. Additionally, DCPS should keep files on hand that allows for timely retrieval.

Management's Response:

We will continue to utilize our electronic filing system to ensure that documents can be retrieved quickly.

DCPS concurs that Medicaid Claims were missing proper authorization. We will strengthen our review process to ensure evidence of approval prior to processing. Additionally, we are exploring the utilization of an electronic signature system to reduce the exposure to missing authorizations.

* * * * *

2009-03 Office of Tax and Revenue

The Integrated Tax System (ITS) is the District's system for day-to-day processing of tax returns. It is an automated system and a majority of the District's tax returns, including individual income taxes, real property taxes, and various business taxes are processed in this manner. Account balances in ITS are updated on a daily basis as a result of various types of activity such as, processing of amended tax returns, tax returns filed late, and posting of payments related to prior tax years to a taxpayer accounts.

Following are issues noted in the controls at the Office of Tax and Revenue (OTR). This section is divided into various parts as follows:

- Automated Tax Processes (ITS)
- Manual Tax Processes
- Other Issues

Automated Tax Processes (ITS)

Sales and Use Tax

During our review, we noted the following:

1) Changes to the ownership and authorized agent names were automatically processed in the Taxpayer Accounting System (TAS) if the form FR-500 was completed and filed through the District's Electronic Taxpayer Service Center (eTSC) website. These requests were not submitted to Customer Service Administration (CSA) for review and approval prior to processing. In addition, verification checks were not performed to ensure that adequate supporting documentation was provided prior to the system processing the online change request.

2) Users submitting the online request for change in ownership and/or authorized agent received user names and passwords to access their business tax account through eTSC within 24 – 48 hours of submitting such a request. As a result of this access, users were able to view the most recent tax returns submitted by the businesses, process tax returns for the businesses, and make estimated tax payments using various online tax payment options.

3) Although manual requests for changes in ownership and/or authorized agents are sent to CSA, guidelines have not been established to evaluate if the written authorizations for making the change is from an existing authorized owner or agent of the business. In addition, the District has not implemented a confirmation process to inform businesses that a change in ownership or authorized agent has been made to their accounts.

As a result of the above listed deficiencies, an unauthorized individual was able to file numerous FR-500 forms and gain unauthorized access to online taxpayer accounts for existing businesses. Based on a search performed during the audit process, this individual filed 114 online FR-500s for existing and fictional businesses between October 13, 2009 and December 22, 2009. Through the process, this individual was also able to establish him/herself as the owner or authorized agent of these businesses and gain access to 76 existing taxpayer business accounts. With the unauthorized access to taxpayer accounts, this individual was able to:

- File a tax return that resulted in erroneous sales and use tax receivables totaling $19.1 million. The error in the tax receivable balance was identified by management during its review of the fiscal year-end amounts and the balance presented in the financial statements was adjusted by the amount of the erroneous tax receivables.

- Submit 7 tax payments on behalf of businesses using the payment options available on the eTSC website. Six payments totaling $599,994 were submitted using the eCheck option. For these payments, a taxpayer is required to enter the bank routing information and bank account number. These payments were not processed and were denied by the bank because invalid bank account information had been provided. One payment totaling $99,999 was submitted using the ACH debit information stored in the eTSC account of the business. This payment was also denied by the taxpayer's bank due to controls implemented by the taxpayer.

To reduce the continued risk of unauthorized access to taxpayer accounts and to ensure that only taxpayer approved changes are made to the ownership or authorized agents of existing businesses, we recommend management consider the following:

- TAS should be modified to ensure that online requests for changes in business ownership and/or authorized agents for businesses registered with the District are routed to CSA for review and approval prior to being processed.

- User IDs and passwords for eTSC accounts of businesses registered with the District should not be emailed or provided to individuals initiating this request until it can be determined that an authorized representative of the taxpayer has approved the change request.

- When performing a review of the letters to authorize changes in ownership or agents of a business registered in the District, CSA should verify that the letter was indeed approved by an authorized individual of the organization prior to processing the change. In addition, confirmation should be sent to the businesses that ownership or authorized agents have been changed.

- Management should also periodically conduct a review to determine if an individual has multiple relationships that may be linked to other taxpayer accounts within ITS. A threshold should be determined for a reasonable number of relationships per taxpayer.

Management's Response:

OTR recognizes the risk associated with unauthorized changes to taxpayer account information, and is taking steps as outlined below to reinforce the security in online applications. OTR concurs with the findings with the following clarification.

The findings state that changes to the ownership and authorized agent names were automatically processed in TAS if the form FR-500 was completed and filed through the District's eTSC website. These requests were not submitted to CSA for review and approval prior to processing. In addition, checks were not performed to ensure that adequate supporting documentation was provided prior to the system processing the online change request.

Although ownership and authorizing agent names were automatically processed in TAS for previously-registered businesses, the intent of the software logic in ITS was to deny changes to the ownership or authorized agent of a registered business as requested by the taxpayer using the eTSC FR-500 functionality. However, faulty logic in the ITS software allowed these updates to occur automatically. The faulty logic also resulted in the failure to automatically submit the request to CSA for review and approval. Therefore, CSA was not aware of the need to perform a check for adequate supporting documentation.

OTR has disabled its online FR-500 process until the recommended changes are in place.

- OTR will modify eTSC and ITS software logic to deny changes to the ownership or authorized agent of a registered business as requested by the taxpayer using the eTSC FR-500 functionality. These software modifications will be implemented in two phases. The first phase will block the requested changes to ownership or authorized agent of the registered business and provide a report to allow CSA to check that adequate supporting documentation was provided. Once the request has been validated, CSA will process the change via online data entry into ITS. The second phase will notify the taxpayer that its request to change ownership or authorized agent of the registered business was denied. The taxpayer will be directed to contact CSA.

- With the implementation of the Phase 1 software modifications described above, the User IDs and passwords for eTSC accounts of previously-registered businesses will not be emailed or provided to individuals initiating this request without CSA intervention. In these cases, CSA will review the provided report of all requests and take the necessary steps to ensure that the authorized representative of the taxpayer has approved the change request.

- CSA has no way of determining if a letter received on company letterhead is approved by an authorized official. However, CSA will send written confirmation to the business owner or authorized individual that the change in ownership or agent of business registered was requested. These changes are included in the CSA procedural guide.

- OTR will periodically conduct a review to determine if an individual has multiple relationships to other taxpayer accounts within ITS. For this purpose, a report will be generated from ITS listing those taxpayers having multiple relationships established to taxpayer accounts. The District will determine a threshold based on an acceptable number of relationships per taxpayer and will review those that fall above this threshold to determine if an anomaly exists.

Unidentified Taxpayer Accounts

Adequate controls are not in place to monitor the creation of and ensuing activity in Unidentified Taxpayer Accounts (UTA) in ITS. UTAs are used to record tax returns and payments in ITS that are received with inadequate taxpayer identifying information. Management, through inquiry of employees within the Returns Processing Administration (RPA), identified 13 UTAs that were in use during FY 2009.

During our review, we noted the following:

1) The system cannot identify all potential UTAs within ITS. As such, management had to rely on inquiries of employees to identify and determine the universe of UTAs.

2) Any employee with modification rights within ITS can create a taxpayer account. As a result, an individual with these rights can also create a UTA or an invalid taxpayer account. A process has not been implemented to monitor the creation of new UTAs.

3) There is no restriction on the number of subaccounts that can be created for a Taxpayer Identification Number. For instance, we identified 86 subaccounts for one UTA.

4) Subaccounts associated with two UTAs were not identified as UTAs in ITS. As a result, access to the subaccounts was not restricted and anyone with modification rights within ITS could post transactions in these accounts.

5) In May 2009, RPA instituted a policy to limit the use of UTAs to two accounts. However, due to an ITS limitation, taxpayer accounts could not be deactivated or closed in the system. As a result, access to the 13 identified UTAs was restricted to 28 employees. As such, the 28 employees had the ability to post activity to all 13 accounts.

6) No one department and/or individual has been given the responsibility to review activity recorded in the UTAs.

7) Controls have not been implemented to ensure that the reviewer of the activity in the UTAs does not also have modification rights to these accounts.

8) Within ITS, the notes feature is used to attach explanations to transactions recorded in a taxpayer account. However, the notes are linked to the taxpayer account rather than to the transaction code. As a result, it is difficult to link an explanation to a specific transaction. Management has indicated that this issue will be addressed when the District converts to a new taxpayer accounting system in 2012.

Unmonitored use of UTAs can result in erroneous tax bills, incorrect application of taxpayer payments, and creates an opportunity for the generation of fraudulent tax refunds. To enhance controls over the activity recorded in the UTAs, we recommend that management consider the following:

- Management should establish a process to identify new UTAs or suspense accounts created within ITS.

- Management should identify all subaccounts associated with the 13 UTAs and restrict access to these subaccounts.

- Management should institute a process to perform a review of the activity posted to the universe of UTAs and related subaccounts in ITS. In addition, the responsibility to perform this review should be assigned to specific individuals. The activity in these accounts should be reviewed by a supervisory level employee who does not have modification rights to these accounts.

- To enhance the audit trail related to specific transactions, the UTA notes should be linked to the transactions rather than the taxpayer account.

Management's Response:

OTR recognizes the risk associated with posting activity to unidentified accounts and has implemented strong controls to prevent the proliferation of such accounts by reducing the number of accounts used for pending transactions to two. Controls have been implemented to limit the ability of employees to post or transfer payments to and from these accounts by severely restricting access to these accounts, and employees have been provided with instructions regarding the handling of unidentified payments to prevent the creation of new accounts.

In reviewing the recommendations, OTR is taking the following additional actions:

- OTR will create a process to manage the creation of new accounts. Currently, accounts in ITS are created in two ways: 1) through the filing of a return, and 2) in an online transaction directly in ITS. Filing of fraudulent returns with invalid taxpayer IDs is controlled through OTR's automated fraud control in processing of returns. The user ID of an employee performing the "create account" transaction is retained in the system. A control report of accounts created will be developed and implemented and roles and responsibilities for monitoring the activity will be assigned.

- The sub accounts associated with the 13 UTA's are now restricted.

- RPA will assign responsibility for monitoring transactions in the specific UTA accounts for unidentified payments.

- The system will not allow for notes to be associated directly with transactions. However, reason codes can be associated with transactions on the UTA accounts. Therefore, OTR will use appropriate reason codes on UTA transactions and notes will be entered on the UTA account for each transaction performed.

Real Property Tax Administration and Adjustment Unit (RPTAAU)

RPTAAU tax refunds processed through ITS are issued due to the overpayment of property taxes by homeowners or mortgage lenders, and can be caused by misclassification of property type (e.g., vacant property is taxed at a higher rate than residential property), or by erroneous overpayment (e.g., the homeowner and the mortgage lender may both have paid the same property tax bill).

The Refund Preparation and Review Directive (the Directive) which established guidelines for processing tax refunds, was implemented on March 31, 2008. However, during our review, we noted that adequate supporting documentation for Real Property tax refunds processed through ITS was not attached to the voucher packets to fully support the requested tax refunds as required per the Directive.

Specifically, the following issues were noted during our review:

1) For 12 out of 45 tax refunds selected, sufficient proof of taxpayer payment was not attached to the refund request voucher packets. Although RPTAAU was subsequently able to provide adequate support for 10 of these tax refunds, this information was not initially available to the individuals who had reviewed and authorized the tax refund payments.

2) For 11 out of 45 tax refunds selected, the payments listed on the Refund Research Form did not reconcile to the proof of payment included in the voucher packets. Although RPTAAU was subsequently able to provide support for all of these tax refunds, this information was not initially available to the individuals who had reviewed and authorized the tax refund payments.

3) For all 4 tax refunds, selected by us, that were generated due to a reduction in tax assessments, documentation supporting the reason for the reduced tax assessment, such as a roll correction report was not attached to the voucher packets. Although RPTAAU was subsequently able to provide support for all of these tax refunds, this information was not initially available to the individuals who had reviewed and authorized the tax refund payments.

Without adequate documentation supporting the tax refund at time of payment, a risk exists that fraudulent tax refunds may be processed through the system. To enhance controls over the processing of Real Property tax refunds, we recommend that management consider the following:

- Real Property tax refund voucher packets should include sufficient evidence to validate the payments made by the taxpayer.

- The payments noted on the Refund Research Form should reconcile to the payments noted in the supporting documentation.

- Tax refunds generated as a result of reductions in tax assessments should be supported by roll correction reports or other evidential reports.

- Reviewers should ensure that adequate supporting documentation is attached to the Refund Research Form prior to approving the tax refund for payment.

Management's Response:

OTR recognizes the risk of issuing potentially fraudulent refunds, and has a rigorous control process in place to ensure that proper documentation and review is present for refunds over an established dollar threshold. Refunds in Real Property (RPTA) are subject to a management level review for all items over $1,000. While OTR agrees that the audit process found some documentation missing in the paper copies of the selected refund packages, in the case of ITS refunds these paper documents are a redundant control. The support for such refunds exists online in the ITS system, and the individuals in the tiered review process all have access to view this account information.

Among the proof required for most types of refunds is sufficient proof of payment, which is reviewed and qualified before a refund is approved. If the documentation does not support the refund amount, the package is rejected.

In the case of ITS refunds coming from RPTA, proof of payment is substantiated by the payment postings in ITS, which include check or wire transfer information. While the ITS records are not always simple to reconcile because of split payments or multiple payments from mortgage companies, the reviewers in the Refund Control Unit (RCU) are fully trained on how to search ITS to substantiate payment amounts before releasing a refund voucher.

The refund research form is a form that RPTA created for internal use. RCU reviews it by virtue of its inclusion in the refund package, although it is not required for ITS refunds, to ensure that the information documented on it is correct. If it cannot be supported, the refund package is rejected. RCU relies heavily on proof of payment via cancelled checks and/or wire transfers along with ITS to qualify the refunds.

Likewise, data supporting a change of class or assessment is also available in the system for review, and was available for review by those in the approval chain. The currently implemented policies and procedures demonstrate and evidence several controls, which are outlined below:

- Refund Form Development/Modifications
    a. Action Request Form - all adjustments made within ITS are documented/approved using this form; actions are also notated within ITS notes to provide a concise audit trail.

b. Refund Research Form - all refund packets include a revised, electronic Refund Research Form that reflects payment(s) made by the taxpayer. Developed using MS Excel, this form includes taxes due (liabilities), actual payments made by the taxpayer as reflected in ITS, and includes pre-set formulas decreasing the likelihood of computation errors. By reflecting actual liabilities and payments, the issues of "offset" and "credit forward" is significantly reduced. Proof of payment (copy of cashed check/wire/etc.) is attached along with an ITS payment screen print, which further supports the validity of the refund.
c. Refund Checklists - all checklists have been re-formatted to allow for both the staff and managers to verify the contents of the refund packet. This serves as an internal checks and balance process to validate the content of the packet, which is a reflection of the Refund Directive, set forth by the Revenue Accounting Administration (RAA) and RPTAAU.

- Weekly Staff Meetings/Training Sessions - A weekly staff meeting is conducted by management to discuss any changes and/or updates to procedures. In addition, training for all reviewers reduces the risk of staff overlooking certain required supporting documentation set forth by the Refund Directive.

- RPTAAU implemented the audit of all adjustments completed on ITS that lead to a financial impact with the specific property liabilities. This report is generated by the IT department and forwarded to RPTAAU management for analysis and audit. This process reduces the likelihood of fraudulent adjustments.

- Error tracking - as errors are discovered within refund packages, they are returned to staff for correction. In addition, every refund packet that is returned by RAA for correction is reviewed by the division Chief. This further accentuates the commitment that RPTAAU has in mitigating the risk of fraud and general errors. An error tracking worksheet has been developed to identify performance deficiencies and provide a basis for increased training.

- Employee Performance:
  a. Weekly Workload Reports - Staff submit reports on pending cases.
  b. Cross Training - Staff is trained to do various types of adjustments, refunds, and billings.
  c. Desk Audits (monthly) - Adjustment Unit Manager reviews, counts, and discusses the pending workload of the staff.

- Continuous Review of the Refund Directive - RPTAAU continually reviews and discusses the current Refund Directive to possibly modify certain requirements.

<u>Release and Reissuance of Tax Refund Checks</u>

In some instances, tax refund checks mailed to the District's taxpayers are returned to OTR. A tax refund check is often returned because it could not be delivered to the taxpayer due to a change of name and/or address, or the address on the check was not specific enough (e.g., a taxpayer lives in an apartment building but does not specify an apartment number). Adequate controls do not exist over the release and re-issuance of these suppressed tax refund checks.

We noted that within ITS, the function to "suppress" and "release and re-issue" the tax refund check cannot be segregated. Approximately 258 employees within OTR have access rights to suppress, as well as release and re-issue tax refund checks. As a result, the same individual who voids and cancels a tax refund check can also authorize the reissuance of a tax refund check.

A risk exists that previously suppressed tax refund checks may be released for payment without adequate support or authorization. To enhance controls over the reissuance of suppressed tax refund checks, the access to release these checks for reissuance to the taxpayer should be restricted to a select group of individuals. A supervisory level employee who does not have authorization to release these checks should review the released checks to verify that checks should indeed be re-issued.

Management's Response:

Although OTR recognizes that a risk exists that previously suppressed tax refund checks may be released for payment without adequate support or authorization, we believe this risk has been mitigated.

The root cause of almost all suppressed accounts is returned refund checks due to a bad address. These refunds have been through normal processing in ITS which includes control checks before the check was initially issued, including review by the Refund Control Unit for those items above the threshold amounts. Additionally, the name and social security number are pre-printed on a check and cannot be changed, mitigating internal fraud.

In order to have the suppression released and the check reissued, a taxpayer must contact OTR's Customer Service Administration and verify pertinent information related to the tax return. The customer service representative asks several probing questions to verify the taxpayer's identity, including:

Individual Income Tax Returns

- Social Security Number.
- Complete name and address on return.
- Filing status on return.

Business Tax Returns

- Federal Identification Number or Social Security Number.
- Name and address of Company.
- Relationship to Company. (The caller must be listed in the company relationship as someone authorized to discuss the account).

Verification provides controls to mitigate external fraud. Based on the controls in place over the release of suppressions, OTR feels that the risk associated has been adequately mitigated.

Unpaid Taxpayer Liabilities

As part of the fiscal year-end process, a Senior Systems Accountant from the Revenue Accounting Administration (RAA) downloads a report of all unpaid taxpayer liabilities (e.g. accounts receivable) as of September 30 from ITS. This report is reviewed to ensure the accuracy of the tax receivable accrual.

1) Informal guidelines state that the RAA Assistant Manager will review all taxpayer receivables over $10,000. However, as the taxpayer receivable report contains receivable balances from a large number of taxpayers, it is not consistently possible to complete a review of all taxpayer accounts over $10,000 prior to the date that final journal entries for the fiscal year-end close process are required to be posted to the general ledger. Further, taxpayer receivable balances less than $10,000 are only reviewed at random if and when the review of balances over $10,000 is completed. In addition, taxpayer receivable balances consistently change during the review process as new activity related to prior fiscal periods is posted into ITS. Account balances in ITS are updated on a daily basis and the receivable balance as of fiscal year-end is subject to change. As such, the population of tax receivable accounts over $10,000 may increase and all or new added balances may not be selected for management's review.

2) A process has also not been established to identify potentially erroneous tax receivables caused by known issues. For instance, ITS will automatically calculate a tax liability for non-resident tax filers that show earned income and a zero tax liability on the tax return. In these instances, although the taxpayers indicate on the tax return that they are non-residents of the District, they fail to indicate that none of the income was earned in the District. This is a recurring problem that is encountered by RAA when reviewing taxpayer receivables during the fiscal year-end close process. However, a report is not generated to identify receivable balances from these types of taxpayer accounts so that review of these accounts can be prioritized. The total receivable overstatement identified due to this error was approximately $13 million and an adjustment was processed to correct the September 30, 2009 balances.

Without established guidelines and adequate report writing tools, a risk exists that erroneous receivable balances may be recorded in the financial statements and not corrected or identified in a timely manner. We recommend that management consider the following:

- Management should establish defined guidelines to follow for review of the taxpayer receivable balances, including timely review and monitoring to help ensure that the account balances are correct and up-to-date. In particular, any adjustments deemed necessary should be posted before year-end to help ensure valid and accurate balances.

- Management should determine if ad-hoc reports can be run to identify taxpayer receivable balances that are prone to historical errors. For example, an ad-hoc report of receivable balances for high income, non-resident taxpayers.

- Management should develop criteria to identify high risk taxpayer receivables.

- Management should revise the policy of reviewing all taxpayer receivable balances over $10,000 so that the population of taxpayer accounts to be reviewed can be scaled back to a more manageable level.

- Management should perform a thorough review of account balances to identify and minimize data entry errors.

Management's Response:

OTR recognizes the risk associated with potential misstatements of accounts receivable (A/R) in the financial statements, and generally concurs with the recommendations suggested for the improvement and accuracy of the balances reported as part of the year end process. Many of these practices were in place prior to FY 2009.

At the beginning of FY 2009, in an effort to provide additional segregation of duties, RAA modified the security profiles of employees to restrict the ability to make taxpayer account adjustments. Prior to that time, a Senior Systems Accountant performed a daily review of all A/R balances posted to ITS. This allowed for a timely review of all balances greater than $10,000 and a weekly submission to the Returns Processing Administration (RPA) of all balances between $5,000 and $10,000 for similar review and correction. This allowed for balance correction prior to year-end. The only balances that would need an after year-end review would be those that posted right around that time.

Prior to the year-end close, RAA would submit the results of its review to RPA so that it could be made aware of the types of errors found and make necessary adjustments to processes and procedures to prevent the errors from continuing on an ongoing basis.

This included keying errors, the issue with out-of-state residents, and any other issues that arose during the review. The review that RAA performed was instrumental in correcting these errors in a timely manner.

The change to this practice improved controls over the adjustment function, as noted in prior year findings, but has had an impact on the timeliness of adjustments to A/R balances. RAA will work to institute new procedures OTR-wide that will ensure a timely correction of balances, while maintaining the segregation of duties that precipitated the change in historical practices. Recognizing that A/R adjustments will be determined and posted to taxpayer accounts throughout the fiscal year, RAA will enhance and document existing procedures to monitor and track post-September 30 A/R adjustments that affect financial statement balances for inclusion in the final revenue lead and supporting schedules.

The FY 2009 year-end close also differed from prior years in that RAA had to perform several additional receivable reviews to identify erroneous receivables associated with a specific group of taxpayers. While most of these items were discovered and adjusted timely, each additional receivables report that was run increased the risk of additional review items entering the stream.

These additional reports would not have been run in a normal year and created a significant time pressure. Because of the extraordinary nature of these additional report runs, the new items picked up were not subjected to the normal rigorous review process. While ad-hoc reports probably would not be helpful in identifying the kinds of errors cited, RAA will develop a checklist of known issues and criteria for review to ensure that all A/R is subject to the same rigorous review.

Manual Tax Processes (ITS)

Hold for Pickup (HFP) Tax Refund Check Requests

As of May 2009, management implemented a revised policy to establish clear guidelines and procedures for handling checks designated as HFP. Per this policy, all HFP checks should have:

1) A form which indicates the administration requesting the tax refund.
2) The name of the taxpayer receiving the tax refund.
3) The amount of the tax refund.
4) The reason the tax refund check is held for pick-up.

For the 2 HFP checks selected for our test work, we noted that the required form to request a HFP check was missing. To enhance controls, management should ensure that its process designed for hold-for-pickup checks is followed.

Management's Response:

Although we recognize the risk of possible fraud associated with the Hold For Pickup process, it must be noted that controls have been implemented in both OTR and the Office of Finance and Treasury (OFT), with OFT executing the primary control function. Both OTR and OFT have established policies and procedures that have substantially reduced the risk and significantly reduced the number of checks that are held for pickup.

The currently implemented process demonstrates and evidences several controls:

- Specific documentation requirements outlined in formal procedures.
- Segregation of duties demonstrated by movement of work through the Real Property Tax Administration (RPTA) and Revenue Accounting Administration (RAA) within OTR and through OFT outside of OTR.
- Clear guidelines that substantially limit HFP refunds.
- Secondary review provided by OFT.
- Limited access to funds using Customer Service Administration (CSA) as the sole distributor of these refunds.
- Identification required by customers who pickup refunds.

In addition, to specifically address the finding stating that OTR failed to provide supporting documentation that is required to request the HFP check, an email with the pertinent information that is required per policies and procedures is a part of the refund request package.

In the case of the particular refunds identified by the audit process, these refunds were necessitated by the sudden cancellation of the annual tax sale due to pending court action, and so it was determined that deposits placed by prospective tax sale buyers should be refunded expeditiously due to the critical nature of the situation. Because of the emergency nature and high dollar value of the refunds, an email request documented the need for "Hold for Pick Up", and the request was submitted and approved by OFT in accordance with its policies and procedures.

Revenue Accounting Administration

Since the names and titles of the preparers, reviewers, and approvers is not documented on the SOAR Refund Revenue Voucher (SRRV) form, it is not possible to identify the individuals who were involved in preparing and authorizing a manual tax refund request. Without this information, it is difficult to determine if an authorized employee has prepared or approved a manual tax refund request.

A risk exists that unauthorized individuals may prepare or approve a manual tax refund request. To enhance controls, we recommend that the SRRV provide space for preparers, reviewers, and approvers to not only sign, but also print their full names and titles.

Management's Response:

OTR recognizes the risk associated with unauthorized individuals preparing and approving manual refund requests. During the course of FY 2009, OTR made the recommended changes to the SRRV form and trained end users on the new form. However, because the Real Property Tax Administration (RPTA) uses preprogrammed forms from their administrative database to initiate manual refunds, the changes in that administration could not be implemented until after the end of the fiscal year.

More importantly, in mitigating the risk of unauthorized refunds, OTR has implemented the following controls:

- Specific documentation is required for all refund requests and outlined in the Refund Directive. Periodic refresher training on the Refund Directive is provided to end users to reinforce the requirements.
- A tiered review process is in place to attest to the adequacy of documentation and the accuracy of the refund request, evidenced by a signature, based on the dollar amount of the request.
- The review cycle requires additional due diligence for requests greater than $50,000, though all requests over $10,000 are reviewed ($1,000 for Real Property refunds).
- The population of reviewers of requests is limited to managers, and the reviewer list and authorized signatures are managed in the Revenue Accounting Administration (RAA).
- Quarterly reviews are performed to ensure the integrity of the reviewer list.

Other Issues

Reconciliation Between Tax Sale Ledger, D.C. General Ledger, and SOAR

Management has not reconciled activity in the Tax Sale Ledger, the D.C. General Ledger, and SOAR, the District's accounting system of record, for fiscal years prior to 2009. Management has completed this reconciliation for FY 2009. Listed below is a brief description of the three systems:

- *Tax Sale Ledger* – This database contains properties available for sale during the current tax sale year, information of Buyers that are participating in the tax sale, record of initial deposits made by the prospective buyers, the winning bid amount for the property, and the subsequent settlement payment to complete the purchase made by the Buyer. A database is created for each tax sale year. This data base is used to support refunds to individuals that made deposits to participate in the tax sale but did not win any bids. Therefore, the deposit amount has to be refunded to these individuals.
- *D.C. General Ledger* – This is a consolidated database of all properties that have been purchased at the Tax Sale through various years and the corresponding purchase amount for the properties and the Buyer information. This database is used to support the refunds to Buyers due to cancellation of the tax sale, redemption of the tax lien property by the original owner, or successful foreclosure on the tax lien property.
- *SOAR* – This is the general ledger financial accounting system of the District.

Management did contract an outside consulting firm in October 2008 to reconcile these systems; however, the reconciliation was never completed. Management is now in the process of selecting a new system to track and record the Tax Sale process and plans to implement the new system by FY 2012. At this time, management has determined that it is not cost effective to invest additional time and funds into reconciling systems that will be replaced.

As the reconciliation of activity between these systems has not been completed, a risk exists that potential adjustments to the financial statements have not been identified and recorded by management. Based on the preliminary reconciliation work completed by the former consulting firm, management should determine, what adjustment, if any, is to be recorded to the financial statements.

Management's Response:

OTR recognizes the risk that potential adjustments to the general ledger (SOAR) have not been recorded, and agrees that there is more work to be done in fully reconciling these ledger systems for prior years. At this time, the final deliverables due from the outside consulting firm are outstanding. The most critical of these is the determination of all outstanding liabilities potentially due to tax sale purchasers. The most likely adjustment to SOAR would be a recordation of revenue from tax sale forfeitures, which is likely to be a small amount.

OTR will continue to work to ensure that correct balances for each prior tax sale year are determined and the appropriate adjustments are made in SOAR, based on the workpapers provided by the consultant. As noted, OTR has also implemented processes to conduct monthly reconciliations of these systems during the year and to ensure that all current tax sale activity is recorded in SOAR at the time of the transaction.

Homestead Tax Credit Program

During the testing of controls over the Homestead and Senior Citizen Tax program, we noted the following:

1) There was no consistent audit trail or evidence of review of Homestead applications; this is specifically related to applications received in prior years and processed outside of the Homestead Unit within the Real Property Tax Administration (RPTA) department of OTR.

2) A Homestead credit is only allowed for one property which is the property in which the owner resides in during the year. We noted that because of inconsistent reviews of the Homestead applications, there were many instances of individuals receiving multiple Homestead credits for multiple properties. This lack of review has also resulted in a cap credit deficiency, which allowed individuals with multiple properties to receive the cap credit on more than one property.

3) At our request during the audit process, OTR researched its database and determined that incorrect Homestead credits may have been given on at least 353 properties.

4) Certain categories of non-individuals, including LLCs, which are ineligible for the Homestead credit, received this credit. These entities also received the Assessment Cap Credit to which they were not entitled.

5) We also noted that in 25 out of 45 items selected for testing, the homestead application form was not included in the supporting documentation provided to us for review. We were informed that these application forms were in the process of being scanned into the OTR system by a third party service provider. As a result, we were unable to determine if the application forms had been appropriately reviewed, and whether the information from the application form (e.g. names, addresses, etc.) had been accurately entered into the ITS system.

The District does not appear to have a proper and comprehensive review process in place, which would have allowed management to identify these errors related to the incorrect application of credits. Failure to properly and comprehensively review and approve applications can result in employees granting improper tax deductions and credits to ineligible entities which can result in lost revenue to the District. We recommend that management consider centralizing the approval process and ensure that only eligible entities are allowed these tax credits. In addition, we recommend that evidence of review be properly documented to provide a better audit trail of the transactions.

Management's Response:

The current processes clearly demonstrate and evidence several controls and are as follows:

- ASD centralized the review and approval process of the homestead and senior citizen applications by removing the Maps & Titles Unit from the process (e.g. granting the homestead credit) - January 2009.

- ASD has acquired full access to the Data Warehouse which serves as a single pathway to multiple separate databases, which are critical to the homestead unit: Department of Motor Vehicles, Voter Registration, Vital Statistics, Recorder of Deeds, and Income Tax Returns. Such tools allow the staff to validate data that is presented on the application - March 2009.
- ASD developed and implemented the use of a desktop procedures manual specifically focused on the review and validation process of the homestead and senior credit application - May 2009.
- ASD and the office of the General Counsel have engaged in developing a robust decision matrix for the homestead and senior citizen credit - In Progress.
- ASD developed and implemented a mass audit plan - August 2009.
- ASD developed and implemented the review of the "Monthly Sales Report". This report review mitigates the risk of the homestead credit rolling over to the next owner without completing the necessary documents. The Homestead Unit researches each property listed on the report and generates a Homestead audit letter, when applicable. Additionally, this report will prevent a homestead credit rollover to an LLC after a sale - January 2009.
- ASD separated core responsibilities within the Homestead unit to ensure segregation of duties. For example, the auditors do not process any new homestead applications. The auditors are responsible for reviewing a sample of applications on a monthly basis for quality assurance purposes and conducting the mass audits - August 2009.
- ASD performed targeted mini-audits for specific groups, such as properties with multiple owners, LLCs, Trusts, etc., billing address outside of the City - January 2009.
- ASD implemented a homestead and senior citizen application tracking system which contains further audit trail capabilities - January 2009.
- ASD scans all images for homestead and senior citizen credit applications via Alchemy from 2001- 2009, which was not previously available - December 2009.
- Homestead Manager receives a weekly staff report regarding homestead granted, removed and the corresponding revenue impact - August 2009.
- Homestead Manager conducts a monthly quality review of work assignments to ensure consistency and accuracy - November 2009.
- Homestead Manager incorporated the use of ITS notes generated from the staff as an audit trail; additionally a standardized set of notes from ITS is in the process of being developed - Ongoing.

Further improvements underway include:

- ASD has requested access to view income tax returns through ITS which were filed electronically (ELF System). Currently, the unit has view-only access to such returns filed through a hard copy. Such access will allow staff to validate income and domicile information for homestead and senior citizen credit applicants.
- ASD is working with the Returns Processing Administration to improve the use of its Correspondence Tracking System to alleviate current delays in the delivery of ASD related documents (e.g. homestead cancellation requests).

ASD and the Chief Risk Officer of the Office of Chief Financial Officer (OCFO) have partnered in a large scale Risk Management Program that continues to identify possible risks and discuss options to reduce such risks.

Reconciliation of Withholding Payments

During FY 2009 there was no match of withholding payments received by the District from employers or taxpayers to the tax payments reported on the tax returns. Therefore, a tax refund may be issued to a taxpayer without knowing if the taxpayer has in fact made the tax payments to the District. To ensure that tax payments reported on tax returns have been received by the District, management should consider instituting a process to match the following:

1) Taxpayer withholding payments received by the District to tax payments reported on tax returns.

2) Withholding information received from employers to the withholding amount indicated on the tax returns.

Although management has indicated that reconciling withholding information from employers and/or taxpayers is not feasible during tax filing season, they have begun to develop a program to address this concern after the tax filing season and as an audit tool to detect potentially fraudulent tax filers. Management anticipates that new procedures to address this risk will be implemented by December 2010.

Management's Response:

OTR recognizes the risk of processing incorrect refunds based on overstated withholding information on filed returns. We have indicated that in a high volume tax processing environment, it is not feasible to reconcile employer withholding information during the tax season and would substantially increase fiduciary, customer service, and reputational risks. OTR begins processing individual income tax returns beginning in January, and the W-2 filing for employers is not due until the end of February, which would make it impossible to match withholding payments on early filed returns. OTR has implemented a reasonable preventative control, an Automated Fraud Program (AFP), that performs the following examination:

- For all individual returns (1040 and 1040-EZ) filed with refunds greater than $250, perform the following:

    a. Match the Social Security Number (SSN) of the taxpayer on the return against the external data residing in the Enterprise Data Warehouse (EDW), not including any record of previous tax filings. If a return is a joint return then also perform the matching process on the SSN of the secondary taxpayer.
    b. For the returns with SSNs NOT found in the EDW, create review items using the description "SSN not in EDW".

As indicated in the recommendation, OTR is implementing a post-audit program in FY 2010. This detective control will match employer's withholding payments to the taxpayer return. The primary focus is to identify fraud where the taxpayer entered more withholding than entitled. Additionally, in the FY 2010 filing season, OTR has implemented another automated screening program to identify returns with disproportionate amounts of withholding, in order to provide another level of preventive control on potentially fraudulent refunds.

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2009-04 Procurement Regulations

The District's procurement transactions are primarily governed by statute, as well as rules and regulations outlined in the District of Columbia Municipal Regulations (DCMR). In addition, the Mayor, Chief Financial Officer, and Director of the Office of Contracting and Procurement can issue directives, orders, and memorandums governing procurement actions.

The District established the Office of Contracting and Procurement (OCP) in 1997 to improve acquisition outcomes. OCP functions as the District's lead contracting office on behalf of a significant number of District agencies and departments. For FY 2009, OCP was responsible for procuring approximately $1.2 billion worth of goods, services, construction, and information technology through the Procurement Automated Support System (PASS).

Several other District agencies also perform procurement independently. Some of these include the Office of the Chief Financial Officer (OCFO), Child and Family Services Agency (CFSA), the District of Columbia Public Schools (DCPS), and the Department of Mental Health (DMH). Following are the issues, grouped thematically by agency (dependent and independent), as noted during our testing performed in conjunction with the audit of the FY 2009 Comprehensive Annual Financial Report (CAFR).

Data Quality, Accuracy, and Completeness for All Agencies (OCP and Non-OCP Supported)

While the selected agencies provided contract information, these agencies could not confirm the completeness of this information. The absence of a centralized tracking tool or database inhibits the ability to verify completeness of contracts awarded, the amounts awarded, and status of each contract entered into. Further, the maintenance of a database is critical in the evaluation of controls. We further noted that while the contracts data field in PASS is a required field, it is a manually entered data field. As such, we could not validate the accuracy and completeness of contracts referenced to in purchase orders.

We recommend that the District consider the design and maintenance of a centralized tracking system (database) with information that identifies the amount and status of each contract for all procurement. We further recommend that the District strengthen controls over its current contracting database(s). It is critical that periodic reviews are conducted during the year to ensure the integrity of the database information. Commodity managers should be responsible for the review of the information and a report documenting any errors and their disposition should be communicated to senior management with appropriate corrective action performed in a timely manner.

Management's Response:

OCP, in conjunction with the Office of the Chief Technology Officer (OCTO), satisfied last year's recommendation to "consider the design and maintenance of a centralized tracking system (database)." In December 2009, OCP awarded the contract for the implementation of the ARIBA Contract Compliance (ACC) module, which will serve as a centralized repository of all District contract information. As of January 2010, OCP, OCTO, and the vendor initiated the implementation kick-off.

Throughout FY 2010, and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) Defining the User Requirements; (2) Customizing & Developing the system; (3) Conducting User Testing; and (4) Implementation (which includes both a communication and training plan for users). Equally critical to the successful implementation of the ACC module and full remediation of this finding will be the migration of the current, active contracts from OCP and the independent agencies into PASS.

Missing Documentation at OCP and its Supported Agencies

Throughout the performance of our sample testing, we noted noncompliance issues which have been classified as involving instances where either: (1) a requested contract file folder was not found/provided; (2) a specific document type from within a provided contract file folder was deemed missing; or (3) a specific document type from within a provided contract file folder was deemed inaccurate or incomplete.

Procurement Transactions Greater than $1 Million

1) There were 13 instances at OCP where there was no evidence of City Council approval.

2) There were 14 instances at OCP where there was no evidence of OAG approval.

3) There were 9 instances at OCP where no information was provided for the purchase orders in our sample.

4) There were 3 instances at OCP where evidence of the agency fiscal officer or designee approval of the purchase requisition was not provided for review.

5) There were 3 instances at OCP where evidence of the Budget Officer or designee approval of the purchase requisition was not provided for review.

6) There were 2 instances at OCP where evidence of the Contracting Officer approval of the purchase requisition was not provided for review.

Limited Competition Small Purchase Threshold

1) There were 4 instances at OCP where no information was provided for the purchase orders in our sample.

2) There was 1 instance at OCP where the sole source determination and finding documentation was not provided.

3) There was 1 instance at OCP where the three required quotes were not provided.

4) There were 9 instances where we were not provided contracts for purchases which cumulatively exceeded the dollar threshold for small purchases.

Competitive Small Purchases Requirement of Three (3) Oral Quotes

1) There were 10 instances at OCP where no quotes were provided for review.

2) There were 14 instances at OCP where less than the three (3) required oral quotes were available for review.

3) There was 1 instance at OCP where evidence of the Agency Fiscal Officer or designee approval of the purchase requisition was not provided for review.

4) There was 1 instance at OCP where evidence of the Budget Officer or designee approval of the purchase requisition was not provided for review.

5) There were 2 instances at OCP where evidence of the Contracting Officer approval of the purchase requisition was not provided for review.

Competitive Small Purchases Requirement of Three (3) Written Quotes

1) There were 22 instances at OCP where no quotes were provided for review.

2) There were 2 instances at OCP where less than the three (3) required written quotes were available for review.

3) There was 1 instance at OCP where the Budget and Fiscal Officers did not approve the requisition.

Signed Contract Not Available for Review

1) During our test work over procurement transactions greater than $1 million, we noted 8 instances at OCP where signed contracts were not available for our review.

2) During our test work over the limited competition small purchase threshold requirement, we noted 8 instances at OCP where signed contracts were not available for our review.

Accuracy and Completeness of Procurement Transactions

1) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at OCP where the contract expired before the period of service on the purchase order.

2) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at OCP where the sole source determination was certified by the Procurement Officer after the purchase order date.

3) During our test work over the competitive small purchases requirement of three (3) oral quotes, we noted 1 instance at OCP where the sole source determination and findings were not approved by the Contracting Officer.

4) During our test work over the competitive small purchases requirement of three (3) written quotes, we noted 2 instances where OCP provided contracts instead of the required three written quotes. However, the contracts did not cover the purchase periods.

5) During our test work over the competitive small purchases requirement of three (3) written quotes, we noted 1 instance at OCP where the sole source determination and findings was not approved by the Contracting Officer.

Management's Response:

In conclusion to this FY 2009 CAFR audit, management's immediate focus and attention will be to take corrective action on these findings and ensure the completeness of the contract files and records.

There were a number of contributing factors to explain why some of our identified contract files were "not provided". A number of the contract files were not readily accessible because of: (1) movement/transfers between agency offices; or (2) personnel changes (e.g., left the employment of the District or transferred jobs within the District) amongst the Contracting Officers. Another allotment of contract files identified as "not provided" stemmed from weak controls over the custody of contract files. Finally, another segment of the contract files or documentation not provided supported transactions that only when aggregated would be above $100,000 or $1,000,000. Since OCP contends these were discrete procurements, the documentation requested does not exist and is not required.

Throughout the final days of testing, and with the increased collaboration between the procurement staff of OCP and agencies with delegated authority, many of the requested contract files were identified. It is believed that with more time, the remaining contract files would also have been provided. Management nonetheless accepts these findings and remains committed to conducting a post-CAFR audit reconciliation to locate the contracts identified as "not provided".

While OCP acknowledges the many long-standing documentation issues that continue to plague this agency, management has undertaken two significant efforts aimed at remediating these matters. The first, which began in the fourth quarter of FY 2009, involved utilizing PASS to electronically manage and retain the documentation to support small purchases transactions rather than paper files. Eliminating the need to maintain paper files for small purchases, which in FY 2009 accounted for over 80% of the total purchase orders, will contribute significantly toward reducing the risk of losing contract files and/or documentation contained within a traditional hard copy file.

The second effort involves the large contract file management redesign initiative which was launched in August 2009 and is targeted for completion (full remediation) in FY 2010. Simply stated, the goal of this initiative is intended to ensure that all new large contract files are accurately accounted for and contain the required supporting documentation. Other management actions to be initiated in FY 2010 that will support our remediation efforts will also include:

- Communication of Findings & Remediation Activities: As a follow-up to the issuance of the final FY 2009 CAFR report, OCP management will take action to share with both the OCP procurement staff, as well as other District procurement professionals within the Independent Agencies, a digest of the lessons learned from the FY 2009 CAFR. Emphasis will be placed upon framing the root cause of the issues, and setting the proper level of expectation related to compliance with procurement laws and regulations.

- Tightening of Management Controls: Management will underscore the use of proper contract file preparation, including the use of checklists to ensure accurate and complete file preparation. Additionally, contracting officers will be held accountable for the completeness of contracting files, as well as their safe custody, as evidenced by their approval of the accompanying checklists. Our records management staff, as OCP's document custodians, will be held responsible for the proper identification, safeguarding, and completeness of all large contract file folders in their custody. Finally, starting in FY 2010, all contract files over $100,000 will be scanned as they are awarded and maintained in an electronic repository.

- Improving Oversight: OCP recognizes that the findings in this area relate to quality assurance. Through the agencies Office of Procurement Integrity & Compliance (OPIC) division, a number of control measures to address these issues will be instituted. More specifically, on a periodic and recurring basis, OPIC will perform contract file compliance reviews (quality assurance checks) aimed at ensuring that the accuracy and completeness of the contract files are maintained in accordance with all requirements. Finally, on a regular basis, information in the contract file room database will be compared with information in the contract awards database to identify any gaps.

Missing Documentation at Independent Agency - OPEFM

Throughout the performance of our sample testing, we noted noncompliance issues which have been classified as involving instances where either: (1) a requested contract file folder was not found/provided; (2) a specific document type from within a provided contract file folder was deemed missing; or (3) a specific document type from within a provided contract file folder was deemed inaccurate or incomplete.

Procurement Transactions Greater than $1 Million

1) There was 1 instance at OPEFM where there was no evidence of OAG approval.

2) There was 1 instance at OPEFM where there was no evidence of City Council approval.

Signed Contract Not Available for Review

1) During our test work over procurement transactions greater than $1 million, we noted 3 instances at OPEFM where signed contracts were not available for our review. For the contracts that were provided, there was no reference to purchase orders requested.

2) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at OPEFM where the signed contract was not available for our review.

Management's Response:

Procurement Transactions Greater than $1 Million – Each of the POs was issued as a single transaction because they are part of specific D.C. Public Schools modernization project that are implemented under various completion schedules. None of the individual POs was in excess of $1 million and therefore did not require D.C. City Council or Attorney General approval.

Signed Contract Not Available for Review – In the first issue, the base contract was approved by the D.C. City Council on July 28, 2008 by Emergency Act A17-0464. Change Order No. 3 was a "tipper" over the $1 million review threshold and was affirmatively ratified by the D.C. City Council at its December 16, 2008 hearing under Resolution 17-943. This resolution was published on January 23, 2009 in Volume 56, Page 724 of the D.C. Register. In the second issue, a competitively procured contract was previously awarded by the DCPS contract staff and at the time, the work was funded by a federal grant. However, the federal grant expired before the equipment was installed, so the original contract was de-obligated due to a lack of funding. These purchase orders provided the necessary funding to install the involved play sets.

Missing Documentation at Independent Agency - CFSA

Throughout the performance of our sample testing, we noted noncompliance issues which have been classified as involving instances where either: (1) a requested contract file folder was not found/provided; (2) a specific document type from within a provided contract file folder was deemed missing; or (3) a specific document type from within a provided contract file folder was deemed inaccurate or incomplete.

Procurement Transactions Greater than $1 Million

1) There was 1 instance at CFSA where there was no evidence of City Council approval.

Competitive Small Purchases Requirement of Three (3) Oral Quotes

1) There was 1 instance at CFSA where the required three (3) oral quotes were not available for our review.

Signed Contract Not Available for Review

1) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at CFSA where the signed contract was not available for our review.

2) During our test work over the limited competition small purchase threshold requirement, we noted 1 instance at CFSA where the cumulative purchase orders issued for the same services exceeded $100,000; but there was no signed contract available for our review.

Accuracy and Completeness of Procurement Transactions

1) During our test work over the competitive small purchases requirement of three (3) oral quotes, we noted 1 instance at CFSA where the requisition was not approved by the Agency Fiscal Officer or alternate designee at the time of the purchase order issuance date.

Management's Response:

Procurement Transactions Greater than $1 Million - CFSA accepts this finding. Although, the procurement was approved by the City Council, the approval was not in the case file.

Competitive Small Purchases Requirement of Three (3) Oral Quotes - CFSA accepts this finding.

Signed Contract Not Available for Review - Purchase Orders for both were issued against existing contracts. Contract files are available for review but the audit review period had expired.

Accuracy and Completeness of Procurement Transactions - Page 2 of the requisition provided for review will clearly indicate that the funds commit process occurred prior to the funds integration process. It is not possible to encumber a purchase order in PASS without the existence of a requisition. The notation on the front of the requisition which indicates that an action occurred in April 2009 is merely the date when an attempt to edit the requisition was made. Additionally, three quotes were received for this procurement.

* * * * *

2009-05 Quick Payment Act

The Quick Payment Act of 1984 states, in part, the following:

> *In accordance with rules and regulations issued by the Mayor of the District of Columbia ("Mayor"), each agency of the District of Columbia government ("District"), under the direct control of the Mayor, which acquires property or services from a business concern but which does not make payment for each complete delivered item of property or service by the required payment date shall pay an interest penalty to the business concern in accordance with this section on the amount of the payment which is due*.
>
> Specifically, the due dates required are as follows:
> 1) The date on which payment is due under the terms of the contract for the provision of the property or service;
> 2) 30 calendar days after receipt of a proper invoice for the amount of payment due;
> 3) In the case of meat or a meat food product, a date not exceeding seven calendar days after the date of delivery of the meat or meat food product; and
> 4) In the case of agricultural commodities, a date not exceeding seven calendar days after the date of delivery of the commodities.

Furthermore, the act addresses various requirements for payment of interest penalties and includes provisions regarding required reports as follows:

1) Each District agency shall file with the Mayor a detailed report on any interest penalty payments made.
2) The report shall include the numbers, amounts, and frequency of interest penalty payments, and the reasons the payments were not avoided by prompt payment, and shall be delivered to the Mayor within 60 days after the conclusion of each fiscal year.
3) The Mayor shall submit to the Council within 120 days after the conclusion of each fiscal year a report on District agency compliance with the requirements.

For the year ended September 30, 2009, we noted 248 instances where the District failed to comply with the Quick Payment Act.

Management's Response:

Prompt payment is dependent upon quick approval of valid vendors' invoices by an agency's program office. Certification of delivery of services or goods must be communicated to the agency's finance division before vendor payments can be made. Management will increase efforts to assure compliance with the Quick Payment Act.

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2009-06 Expenditures in Excess of Budgetary Authority

The Anti-Deficiency Act states, in part, the following:

> A District agency head, deputy agency head, agency chief financial officer, agency budget director, agency controller, manager, or other employee may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund.

The Home Rule Act states, in part, the following:

> No amount may be obligated or expended by any officer or employee of the District of Columbia government unless such amount has been approved by an Act of Congress, and then only according to such Act.

Section 301 of the D.C. Appropriations Act 2005, enacted October 18, 2004, states, in part, the following:

> Whenever in this Act, an amount is specified within an appropriation for particular purposes or objects of expenditure, such amount, unless otherwise specified, shall be considered as the maximum amount that may be expended for said purpose or object rather than an amount set apart exclusively therefore.

The District's basic financial statements state in note 1, "Appropriated actual expenditures and uses may not legally exceed appropriated budget expenditures and uses at the function level. A negative expenditure variance in the budgetary comparison statement for a particular function is a violation of the Anti-Deficiency Act and the District of Columbia Anti-Deficiency Act. Also, a violation of the Anti-Deficiency Act exists if there is a negative expenditure variance for a particular purpose or object of expenditure within an appropriation."

At September 30, 2009, the Child and Family Services Agency (CFSA) had overspent its local budget by approximately $23,402,000. This was a result of potential disallowances from previous years with respect to Medicaid cost report audits, and management has estimated additional potential disallowances and reflected these as accrued liabilities in the accounting records at year-end for CFSA. Additionally, the District forgave certain debt owed to it by the Sports and Entertainment Commission and this resulted in an unbudgeted write-off expenditure of approximately $4,513,000. These two items are in violation of the Anti-Deficiency and Home Rule Acts.

Management's Response:

Up until January 31, 2009, CFSA was claiming Medicaid funding for two services—Targeted Case Management (TCM) and Rehabilitative Services (Rehab. Option). During the FY 2008 CAFR closing period, audited cost reports were completed for two fiscal years (FY 2004 and FY 2005) on these programs. The audits concluded that due to a lack of documentation in support of claiming for these services, the District owed the Federal government significant reimbursement for claims that had been disallowed for these years.

During FY 2009, the CFSA Director conducted an assessment of current Medicaid claiming operations to determine if the documentation issues raised in FY 2004/FY 2005 persisted. The assessment was conducted and the CFSA Director concluded that additional time would be needed to adequately address the issues raised in the cost report audits and that the agency could not continue claiming without the risk of incurring future significant disallowances. As a result of that conclusion, and in consultation with the Office of the City Administrator (OCA) and the Department of Health Care Finance, CFSA Medicaid billing was halted on January 31, 2009.

As a result of the CFSA Director's review and determination that additional time would be needed to adequately address the issues raised in the cost report audits and the subsequent decision to halt Medicaid claiming, receivable balances totaling approximately $32.1 million were written-off during the FY 2009 CAFR closing period.

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Section III – Federal Award Findings and Questioned Costs

District Agency – Department of Health Care Finance (DHCF)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-07	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA – Medical Assistance Program CFDA Number: 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Allowable Costs: Escheated Warrants	Not Determinable

Criteria or Specific Requirement – Title 42 CFR section 433.40 requires the following:

(c) Refund of Federal financial participation (FFP) for uncashed checks—(1) General Provisions. If a check remains uncashed beyond a period of 180 days from the date it was issued (i.e., the date of the check), it will no longer be regarded as an allowable program expenditure. If the State has claimed and received FFP for the amount of the uncashed check, it must refund the amount of FFP received.

(2) Report of Refund: At the end of each calendar quarter, the State must identify those checks which remain uncashed beyond a period of 180 days after issuance. The State agency must refund all FFP that it received for uncashed checks by adjusting the Quarterly Statement of Expenditures for that quarter. If an uncashed check is cashed after the refund is made, the State may file a claim. The claim will be considered to be an adjustment to the costs for the quarter in which the check was originally claimed. This claim will be paid if otherwise allowed by the Act and the regulations issued pursuant to the Act.

(3) If the State does not refund the appropriate amount as specified in paragraph (c)(2) of this section, the amount will be disallowed.

(d) Refund of FFP for cancelled (voided) checks-(1) General provision. If the State has claimed and received FFP for the amount of a cancelled (voided) check, it must refund the amount of FFP received.

(2) Report of Refund: At the end of each quarter, the State agency must identify those checks which were cancelled (voided). The State must refund all FFP that it received for cancelled (voided) checks by adjusting the Quarterly Statement of Expenditures for that quarter.

Condition – DHCF is required to identify cancelled and uncashed checks beyond a period of 180 days of issuance at the end of each calendar quarter and refund all Federal Financial Participation (FFP) received for uncashed checks by adjusting the quarterly CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program.* We noted that DHCF did not identify cancelled or uncashed checks over 180 days after issuance and refund the corresponding FFP in a timely manner.

The Office of Financial Operations and Systems (OFOS) provides a list of cancelled and uncashed checks to DHCF once a year, usually in June or July, listing cancelled and uncashed checks for the preceding calendar year.

DHCF reviews the list of cancelled and uncashed checks and determines whether to reissue a new check. However, based on DHCF's current methodology, cancelled and uncashed checks have the potential to remain outstanding for over a year. Checks issued during the calendar year are not reviewed until the following year which potentially results in untimely refunds of the FFP to the Federal government.

Context – This is a condition identified per review of DHCF's compliance with specified requirements.

Effect – DHCF is potentially not in compliance with 42 CFR section 433 which results in untimely refunds of the FFP to the Federal government. There is also potential for disallowed costs that were never refunded due to checks remaining uncashed beyond a period of 180 days from the date of issuance.

Cause – DHCF does not have adequate policies and procedures in place to request and review the cancelled and uncashed check report on a quarterly basis as required. Furthermore, checks can remain uncashed beyond a period of 180 days from the date of issuance and not be identified due to the process in place which has the potential to create disallowed costs.

Recommendation – We recommend that DHCF comply with the requirements in 42 CFR section 433 and establish adequate policies and procedures to ensure that cancelled and uncashed checks over 180 days from the date of issuance are identified on a quarterly basis and all FFP received for uncashed checks are refunded to the Federal government in a timely manner. In addition, we recommend that DHCF identify cancelled and uncashed checks over 180 days after issuance for FY 2009 and refund the amount of FFP and any interest liability incurred as a result of the delay.

Views of Responsible Officials and Planned Corrective Actions – DHCF follows the District policy of annual review and cancellation of escheated warrants. The District produces the listing for each agency on a calendar year basis. This means that the listing is not produced until July or August of the following year (allowing for the 180 days after calendar year end). The checks are reviewed by DHCF and if canceled, the proper credit is given to Centers for Medicare and Medicaid Services (CMS) on the CMS-64 for the quarter ending September 30.

In addition, DHCF requested that the Office of Financial Operations and Systems (OFOS) change the District's policy to conform to the Federal CFR for all escheated warrants. OFOS agreed to change the process for the Medicaid program. Starting with the quarter ended March 2009, OFOS began producing a listing of escheated warrants for the Medicaid program on a quarterly basis. However, due to staff vacancies, DHCF did not use the quarterly list and continued with past practice based on the annual report.

In FY 2010, the DHCF accounting unit is fully staffed and will review and cancel uncashed checks over 180 days old on a quarterly basis, within 30 days of receipt of the report from OFOS.

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District Agency – Department of Health Care Finance (DHCF)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-08	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA - Medical Assistance Program CFDA Number: 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Allowable Costs: Drug Rebates	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 requires that "within 30 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found."

Centers for Medicare and Medicaid Services (CMS) issued a Medicaid Drug Rebate Program Release Number 29 dated May 11, 1993. In this Release Number, CMS clarified the calculation of interest under section V(b) of the rebate agreement. In addition, Release Number 29 revised the policy to include 7 additional days to allow sufficient time for the mailing and receipt of the State utilization data while reducing costs previously associated with return receipt requests. As a result of this policy change, interest begins to accrue on disputed or unpaid amounts after 37 calendar days from the date the State mails the State utilization data, as evidenced by a postmark of the United States Postal Service or other common mail carrier on the envelope.

Condition – Section 1927 of the Social Security Act allows States to receive drug rebates from manufacturers for all covered outpatient drugs. On a quarterly basis, drug manufacturers are required to provide their average manufacturers' price and their best prices for each covered outpatient drug to CMS. CMS will then calculate a unit rebate amount for each drug and provide this data to each State. The State Medicaid agency must provide to manufacturers drug utilization data within 60 days of the end of the quarter. Upon receipt of the utilization data, the drug manufacturer has 30 days to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found.

DHCF contracts with a third party contractor, Affiliated Computer Services (ACS), to process drug rebates. Claims information submitted by providers to ACS through the District's Medicaid Management Information System (MMIS) contains information on products and services received by participants. From this information, ACS is able to calculate the amount the District is owed from specific drug manufacturers in the form of drug rebates. ACS then bills the drug manufacturers on the District's behalf. ACS receives the rebates from the manufacturers and forwards the check payments to DHCF.

We reviewed a sample of 20 rebates from drug manufacturers during FY 2009 totaling approximately $2.1 million. During our review, we noted that the 1 of the 20 rebates sampled amounting to $14,221 was received 28 days after the 37 day deadline. DHCF and ACS did not calculate the interest amount for the late payment nor did it require to the manufacturer to pay the late interest charge.

Context – This is a condition identified per review of DHCF's compliance with specified requirements.

Effect – DHCF lost revenue by not requiring the drug manufacturers to calculate and submit an interest payment with the rebate amount.

Cause – DHCF employees failed to follow existing policies and procedures which require drug manufacturers to submit rebates within the required timeframe.

Recommendation – We recommend that DHCF comply with Federal regulations and require drug manufacturers to submit rebates within the 37 day timeframe. In addition, for any late payments, we recommend that DHCF require drug manufacturers to calculate and include interest payments along with the rebate amount.

Views of Responsible Officials and Planned Corrective Actions – Effective August 6, 2009, DHCF changed its policy to collect interest from all drug manufacturers for the late payment of drug rebates and communicated the policy change to the rebate manager, ACS. Since implementation of the DHCF policy change, ACS has calculated and collected interest payments for all late payments.

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District Agency – Department of Health Care Finance (DHCF)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-09	U.S. Department of Health and Human Services Children's Health Insurance Program CFDA Number: 93.767 Grant Award Number: 05-0905DC5021 Grant Award Period: 10/1/08-9/30/09	Cash Management	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the Children's Health Insurance Program (CHIP) for the drawdown of funds:

- Provider payments require the use of the average clearance funding technique and a clearance pattern of 5 days and the amount of the request shall be for the exact amount of the disbursement.
- Non-payroll services require the use of the modified average clearance funding technique and a clearance pattern of 5 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 10 out of the 80 drawdowns made during FY 2009 totaling $5,175,982 and noted that 1 of the 10 drawdowns sampled was not made in accordance with the provisions of the CMIA agreement. The reimbursement request for Revenue Collection Receipt (RCR) No. DA9MAD15 was made later than required by the CMIA agreement. The portion of the drawdown not in compliance totaled $3,381 and was outstanding for 13 days.

Additionally, we noted that 1 of the 10 drawdowns (RCR No. DA9MED04) was improperly recorded to the CHIP program upon receipt of the funds in October 2008 and was not properly reflected within the program accounts of the Medical Assistance Program until November 2009.

Context – This is a condition identified per review of DHCF's compliance with the provisions of the CMIA agreement and other specified requirements.

Effect – DHCF is not in compliance with the provisions of the CMIA agreement. We noted one example where federal funds are requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

In addition, DHCF's lack of proper recording of federal cash drawdowns may lead to inaccurate reporting of revenues and inaccurate preparation of the Schedule of Expenditures of Federal Awards.

Cause – DHCF did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs and in properly recording the receipt of federal funds.

Recommendation – We recommend that DHCF comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs. DHCF should also establish internal control procedures to ensure that those funds are properly recorded to the correct grant in SOAR, the District's accounting system of record.

Views of Responsible Officials and Planned Corrective Actions – DHCF acknowledges that 1 draw for $3,381 was completed 13 days later than required under CMIA. This was due to the absence of staff trained to do payroll and non-payroll draws. To prevent this from happening in the future, all members of the DHCF accounting staff will be trained on payroll and non-payroll draws.

With respect to the improper recording of funds to the program, DHCF accounting staff detected and corrected the error during the FY 2009 closing process. DHCF Fiscal Officer or Accounting Officer will review the posting entry against the cash draw for accuracy prior to submission to the Office of Finance and Treasury.

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District Agency – Department of Health Care Finance (DHCF)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-10	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA - Medical Assistance Program CFDA Number: 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Cash Management	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 Subpart C section .300 (a) states, "The auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity."

Condition – We reviewed 12 out of the 113 drawdowns made during FY 2009 totaling $188,670,583 and noted that 1 of the 12 drawdowns sampled was improperly recorded in SOAR, the District's accounting system of record.

The reimbursement request for Revenue Collection Receipt (RCR) No. DA9MED04 totaling $88,597 was drawn down for reimbursement of Medical Assistance Program expenditures, however, the funds were improperly posted to the Children's Health Insurance Program upon receipt of the funds in October 2008. During the FY 2009 year-end close process, DHCF identified the error and correctly posted the funds to the Medical Assistance Program in November 2009.

Context – This is a condition identified per review of DHCF's compliance with specified requirements.

Effect – DHCF's lack of proper recording of federal cash drawdowns may lead to inaccurate reporting of revenues and inaccurate preparation of the Schedule of Expenditures of Federal Awards.

Cause – DHCF did not appear to exercise due diligence in recording the receipt of federal funds.

Recommendation – We recommend that DHCF drawdown funds based on actual cash needs and establish internal control procedures to ensure that those funds are properly recorded to the correct grant in the SOAR system.

Views of Responsible Officials and Planned Corrective Actions – The funds at issue were drawn timely and correctly, but initially posted incorrectly. DHCF accounting staff detected and corrected the error during the FY 2009 closing process. DHCF Fiscal Officer or Accounting Officer will review the posting entry against the cash draw for accuracy prior to submission to the Office of Finance and Treasury.

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District Agency – Department of Health Care Finance (DHCF)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-11	U.S. Department of Health and Human Services Children's Health Insurance Program CFDA Number: 93.767 Grant Award Number: 05-0905DC5021 Grant Award Period: 10/1/08-9/30/09	Eligibility	Not Determinable

Criteria or Specific Requirement – 42 CFR part 457 has specific requirements for the Children's Health Insurance Program (CHIP) that defines in detail the eligibility requirements, supporting documentation requirements, and record retention policies.

Condition – The District's Department of Human Services' (DHS) Income Maintenance Administration (IMA) is responsible for determining participant eligibility for CHIP. IMA uses the Automated Client Eligibility Determination System (ACEDS) to evaluate the eligibility of the applicant. We noted the following during our review of 45 participant files selected for testing:

- 3 participant files did not have signed application forms.
- 1 participant file did not have a verification of the applicant's income.
- 1 participant file did not have a complete and signed citizenship declaration form.
- 1 participant file showed that the participant was ineligible for CHIP benefits based on age. IMA had enrolled the participant for almost two years past the participant's 19th birthday.

Context – This is a condition identified per review of DHCF's compliance with specified requirements.

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – IMA customer service representatives (CSR) are not properly processing the CHIP applications and performing the required verifications.

Recommendation – We recommend that the Department of Human Services' IMA improve internal control procedures to ensure that CHIP verifications are performed to adequately document the eligibility process. In addition, IMA should ensure that supporting documentation is maintained and that files are properly secured.

Views of Responsible Officials and Planned Corrective Actions – DHS/IMA agrees with the stated recommendation and has already taken steps to bring its internal procedures in line with the recommendation.

IMA Social Services Representatives (SSRs) receive intermittent Medicaid refresher trainings to include verifications (financial and non-financial) necessary to make an eligibility determination; application completeness; interviewing skills, etc. Financial eligibility factors include income (earned or unearned), assets, and resources. Non-financial eligibility factors include residence, citizenship, identification, etc. Also, as of February 2010, IMA reinitiated the contract with the Work Number which allows staff to inquire about a customer's work history and obtain verification (if the employer is listed with the Work Number). In addition, IMA management staff will randomly review cases to determine if appropriate actions were taken. The findings will be discussed with staff and Service Center level sessions will be conducted to ensure that all staff are aware of the correct steps to take to ensure adequate processing.

In addition, DHS/IMA has created and begun operating a Case Record Management Unit (CRMU) in each Service Center to improve the maintenance and safeguarding of documents. The CRMU is staffed with management team members and support staff members responsible for ensuring that case documents are included in the case record; that the case record and all supporting documentation is accessible for reviews, etc.

Finally, IMA will soon be utilizing a document imaging system that is expected to further enhance IMA's ability to maintain and safeguard documents. Currently, the Automated Client Eligibility Determination System (ACEDS) holds IMA's electronic files and much of the processing of cases can be seen and tracked in ACEDS. As the agency moves closer toward a paperless system, the reliance upon hard copy records for holding documents will diminish, with electronic filing and maintenance of documents being primarily supported through the functionality of ACEDS and the new Document Imaging Management System (DIMS).

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District Agency – Department of Health Care Finance (DHCF)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-12	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA - Medical Assistance Program CFDA Number : 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Eligibility	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 Subpart C Section .300 (b) states, "The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Condition – The District's Department of Human Services' Income Maintenance Administration (IMA) is responsible for determining eligibility of participants in the Medical Assistance Program (MA). IMA uses the Automated Client Determination System (ACEDS) to evaluate the eligibility of an applicant. We noted the following during our review of 132 participant files which had been selected for testing:

- 2 participant files did not have signed application forms.
- 4 participant files did not have verification of the applicant's income.
- 4 participant files did not have complete and signed citizenship declaration forms.
- 4 participant files did not show that the social security number was furnished or was verified.
- 3 participant files did not have proof of the participant being a qualified alien.
- 1 participant file did not have proof that the recertification was done within the required twelve months.

Without IMA maintaining the proper documentation in the case files, we were unable to verify whether certain participants were properly enrolled in the MA program.

Context – This is a condition identified per review of DHCF's compliance with specified requirements.

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – IMA does not appear to have adequate internal control procedures to ensure that documentation is maintained and participant files are secured. Participant files are maintained at several different locations instead of in a centralized location. This policy makes obtaining participant files a difficult task, and leads to the increased possibility of misplacing participant files.

Recommendation – We recommend that the Department of Human Services' IMA improve internal control procedures to ensure that documentation is maintained to support eligibility decisions and that files are properly secured.

Views of Responsible Officials and Planned Corrective Actions – While there is some disagreement regarding some of the findings in the participant a file, IMA agrees that additional processes are required to ensure the source eligibility documentation is contained in the records and available for the auditors for inspection. These changes would eliminate or reduce findings where the documentation to support eligibility is absent from the records. With regard to documentation of a verified social security number or alien status, DHS has an electronic interface with the Social Security Administration and the Immigration and Naturalization Service which verifies the recipient's status. Therefore, users would be required to view the verification in ACEDS or request a print-out of the document.

For future audits, IMA will review and print the electronic information consistently requested during the audit process, in advance. To address the time it takes to provide the case records, as well as address lost or misplaced documentation, in December 2009, IMA management implemented a system of accountability to ensure the successful retention and maintenance of Medicaid eligibility information. This process includes a system of management and staff accountability, which includes assignment of daily tasks and monitoring completion. Secondly, the Document Imaging Management System (DIMS) Request for Proposal was issued by the Office of Contracting and Procurement on January 8, 2010. The contract will include system development as well as document conversion. Based on an assessment in January 2009, IMA had over 22 million documents stored in the IMA service centers. Digitization of the case records and scanning of all incoming documents will further support the case record maintenance improvements.

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District Agency – Department of Health Care Finance (DHCF)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-13	U.S. Department of Health and Human Services Medical Assistance Program Cluster and ARRA - Medical Assistance Program CFDA Number: 93.775, 93.778 Grant Award Number: 05-0905DC5028 Grant Award Period: 10/1/08-9/30/09	Eligibility: Medicaid Eligibility Quality Control (MEQC)	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 requires that "States are required to operate a MEQC system in accordance with requirements established by CMS. The MEQC system reconfirms eligibility for individual sampled cases of beneficiary eligibility made by State Medicaid agencies, or their designees. Statistical sampling methods are used to select claims for review and project the number and dollar impact of incorrect payments to ineligible beneficiaries" (42 USC 1396b; 42 CFR sections 431.800 through 431.865).

Further, Title 42 CFR § 431.836 (a) states that "The agency must take action to correct those errors identified through the claims processing assessment system review and, if cost effective, to recover those funds erroneously spent".

Condition – The Medicaid Eligibility Quality Control (MEQC) system is operated by the District's Department of Human Service's (DHS) Office of Program Review, Monitoring and Investigation (OPRMI). The function of the MEQC is to re-determine Medicaid eligibility for individuals receiving Medicaid benefits and to take action to correct any errors identified during the MEQC review process.

During FY 2009, OPRMI operated under two Medicaid pilot programs. The first was DHS' phase twelve MEQC pilot for the population of recipients eligible for Medicaid under the District's Supplemental Security Income related (SR) program with income at or below the 100% poverty level. The SR population consists of aged and disabled recipients. The goal of the pilot was to determine if Medicaid eligibility was calculated accurately for individuals and determine if the existing group health insurance plans had provided payment prior to Medicaid reimbursements. DHS staff was also required to review denied/terminated cases to determine if the Income Maintenance Administration (IMA) denied or terminated cases correctly.

The second pilot program was DHS' phase thirteen MEQC review to determine if Medicaid eligibility was calculated accurately for individuals under the District's SR program and Aid to Families with Dependent Children and Temporary Assistance for Needy Families related (AR) programs. In addition, DHS confirmed if denied or terminated cases were processed correctly and the client/applicant was appropriately denied participation. Centers for Medicare and Medicaid Services (CMS) approved the pilot program on December 5, 2008.

To determine whether the District was in compliance with the requirement to operate a MEQC program, we randomly selected 25 active case files from the phase twelve and thirteen pilot programs and 20 negative case files from the phase twelve and thirteen pilot programs.

During our review, we noted that for 1 of the 25 active cases, the MEQC branch completed a quality control review on a Medicaid recipient who failed to disclose that he/she had insurance coverage from another insurance carrier. The MEQC branch confirmed that the participant had insurance coverage from February 2007 to present. In addition, the MEQC branch reviewed the household's eligibility profile in Medicaid Management Information System (MMIS) and the insurance information was not listed. Upon completion of the review, DHS notified DHCF's Third Party Liability (TLP) Insurance Office that the participant had insurance coverage. However, we noted that DHCF had not entered the insurance information into the MMIS system until April 7, 2010. The Insurance Office was unable to determine whether the overpayments for Medicaid claims submitted for this participant from February 2007 to the present had been recouped.

DHCF also has a contractor, Health Management Systems (HMS), which is responsible for searching insurance companies and identifying any Medicaid participants that may have insurance with another company. HMS submits a monthly report to DHCF that identifies Medicaid participants who have insurance coverage with another company so DHCF can update the participant's records in the MMIS system. In this particular case, the contractor was unable to identify the additional insurance coverage.

Having accurate participant insurance information in the MMIS system is important when processing Medicaid claims. The claim amount would first be submitted to the primary insurance company with Medicaid as the secondary insurance. In this particular case, Medicaid paid the entire claim resulting in overpayments to the Medicaid program.

Context – This is a condition identified per review of DHCF's compliance with specified requirements.

Effect – DHCF incurred unnecessary Medicaid payments by not updating the MMIS system with the participant's insurance in a timely manner.

Cause – DHCF's internal policies and procedures were not functioning as intended.

Recommendation – We recommend that DHCF improve internal control procedures to update participant's case records when critical information is communicated to the agency. In addition, we recommend that DHCF notify DHS' Office of Program Review, Monitoring and Investigation when recommended changes have been made.

DHCF should also determine the amount of excess Medicaid funds paid to providers during the time the participant had insurance and refund the Federal Government the Federal Financial Participation (FFP) portion.

Views of Responsible Officials and Planned Corrective Actions – DHCF does have an internal policy and procedures for updating health insurance information in MMIS as soon as critical information is communicated to the agency. However, in this particular instance it is unclear when that information was actually communicated to the agency. The MEQC Branch did not send any form of notification to the Third Party Liability Office until December 9, 2009. Furthermore, the notification was addressed to an employee who had retired in September 2008, and was therefore not received by anyone in the Third Party Liability Office. Upon notification of this particular eligibility concern in April 2010, the Third Party Liability Office promptly entered the correct information into MMIS.

In order to prevent this miscommunication from happening in the future, DHCF is committed to reaching out to MEQC in order to ensure that the eligibility reviews are communicated in a timely manner to the proper person and result in the appropriate action in MMIS.

As noted, DHCF contracts with Health Management Systems to identify Medicaid recipients with additional forms of health insurance, as a means to detect as many of these instances as possible. DHCF is in the process of exploring additional means through which this contractor may be able to support third party liability efforts in order to ensure that recipients' health insurance information is as complete and accurate as possible.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-14	U.S. Department of Housing and Urban Development Housing Opportunities for Persons with AIDS CFDA Number: 14.241 Grant Award Number: DCH08-F001 Grant Award Period: 10/1/08-9/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Housing Opportunities for Persons with AIDS (HOPWA) program for the drawdown of funds:

- Program payments require the use of the modified average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 2 out of the 11 drawdowns made during FY 2009 totaling $3,413,705 and noted that the 2 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA8HA100 and DA9HA128 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. However, the District is compliant with the reporting requirements of the U.S. Department of Housing and Urban Development (HUD), as they pertain to the use of the Integrated Disbursement Information System (IDIS) and draw down of funds for the HOPWA program.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the CMIA agreement with regard to requesting timely reimbursement. This grant has unique draw requirements outside of the typical CMIA arrangement and the District is in compliance with the cash management reporting requirements of the U.S. Department of Housing and Urban Development (HUD).

Unlike other federal grants, where DOH Office of the Chief Financial Officer (OCFO) staff initiates a draw as expenditures are incurred, this grant is handled differently. In order to obtain reimbursement, the program management third-party contractor must create a voucher in HUD's Integrated Disbursement and Information System (IDIS) by inputting sub-recipient data. The IDIS system has to be populated with the detail of expenditures incurred, by activity, which is reviewed and approved by HUD before any draw-down is approved. Program management then submits a request to DOH OCFO to approve request for funds entered in IDIS. Therefore, the typical CMIA comparison of cash outflows (e.g. SOAR voucher payment dates) vs. cash inflows (e.g. draw receipt dates) is inappropriate for this grant.

The time period between the approval of the IDIS data by HUD to the time drawdowns are initiated and received range from one to three days which is within the CMIA clearance pattern of 7 days.

DOH will submit a revision to the CMIA to outline the unique draw requirements of this grant.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-15	U.S. Department of Health and Human Services Public Health Emergency Preparedness CFDA Number: 93.069 Grant Award Number: 5U90TP316831-09 Grant Award Period: 8/10/08-8/09/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Public Health Emergency Preparedness program for the drawdown of funds:

- Program payments require the use of the modified average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed the single drawdown made during FY 2009 totaling $1,337,583 and noted that the drawdown was not made in accordance with the provisions of the CMIA agreement.

The reimbursement request for Revenue Collection Receipt (RCR) No. DA9MCH69 was made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. We noted an example where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the CMIA agreement in regards to requesting timely reimbursement. This grant has unique draw requirements outside of CMIA.

In January 2005, the Center for Disease Control and Prevention (CDC) placed DOH on manual drawdown to receive grant funds through the Public Health Emergency Preparedness (PHEP) Cooperative Agreement. This process entails compiling an invoice (SF-270) by focus areas with a detail of all personnel services and non-personnel services expenditures. If budget lines for any focus area are overspent, a request is made to CDC to increase the budget to allow DOH to bill for those expenditures. When the SF-270 is complete, program staff review and give their approval for submission. The SF-270 is then mailed to CDC for its review and subsequent payment. This is a lengthy process and results in draws/reimbursements taking longer than prescribed in the CMIA agreement. Program officials are collaborating with CDC to determine when this restriction can be lifted

Management is also in the process of amending the CMIA agreement to include language that reflects that this grant operates on a manual drawdown pattern and therefore, cannot be held to the rigid requirements of the pre-established CMIA agreement.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-16	U.S. Department of Health and Human Services HIV Emergency Relief Project Grants CFDA Number: 93.914 Grant Award Number: 6H89HA00012-18, 6H89HA00012-19 Grant Award Period: 3/1/08-2/28/09, 3/1/09-2/28/10	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the HIV Emergency Relief Project for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 4 out of the 60 drawdowns made during FY 2009 totaling $2,527,118 and noted that 2 of the 4 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA9HAA12 and DA9HAA41 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the CMIA agreement with regard to requesting timely reimbursement.

Accounting staff perform weekly drawdowns based on EIS/CFO$olve Grant Drawdown report of expenditures from the District's accounting system of record (SOAR). The cash drawdown request is made on Thursday to ensure funds are deposited to the District's account on Friday. The weekly drawdown occurs once in a five-day work-week period which is within the CMIA average clearance pattern of 7 days for benefit payments (non-personnel services).

The average number of days for the drawdown of benefit payments (non-personnel services) for RCR No. DA9HAA12 was 8 days, not in accordance with the CMIA clearance pattern of 7 days. However, the average number of days for the drawdown of benefit payments for RCR No. DA9HAA41, was 3 days, or an average of 5.5 days for the two drawdowns. Cash was drawndown every Thursday for all of FY 2009 with the exception of December 5th, 2009 and December 26th, 2009. This oversight was caused by the demands of the CAFR audit and the Christmas vacation. Additionally, payroll was inconsistently recorded in SOAR, outside of the control of the agency. Due to this inconsistency, accounting staff currently review the "485 Report" (Payroll Register) to determine amounts to draw for personnel service charges. Staff is also cross-trained to ensure that draws continue during times of absence.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-17	U.S. Department of Health and Human Services HIV Care Formula Grants CFDA Number: 93.917 Grant Award Number: 6 X07HA00045-18, 2 X07HA00045-19 Grant Award Period: 4/1/08-3/31/09, 4/1/09-3/31/10	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the HIV Care Formula Grants for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 4 out of the 50 drawdowns made during FY 2009 totaling $3,585,036 and noted that 2 of the 4 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA9HAA12 and DA9HAA97 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with the CMIA agreement with regard to requesting timely reimbursement.

Accounting staff perform weekly drawdowns based on EIS/CFO$olve Grant Drawdown report of expenditures from the District's accounting system of record (SOAR). The cash drawdown request is made on Thursday to ensure funds are deposited to the District's account on Friday. The weekly drawdown occurs once in a five-day work-week period which is within the CMIA average clearance pattern of 7 days for benefit payments (non-personnel services).

The average number of days for the drawdown of benefit payments (non-personnel services) for RCR No. DA9HAA12 was 5 days, while it was 6 days for RCR No. DA9HA105, both within the 7 day CMIA clearance pattern. Personnel expenditures for both draws were greater than the 0 day CMIA clearance pattern due to inconsistencies in the recording of payroll in SOAR, which was outside the control of the agency. These inconsistencies led to the cash management findings for this grant. Due to this inconsistency, accounting staff currently review the "485 Report" (Payroll Register) to determine amounts to draw for personnel service charges. Staff is also cross-trained to ensure that draws continue during times of absence.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-18	U.S. Department of Health and Human Services HIV Prevention Activities CFDA Number: 93.940 Grant Award Number: 3U62PS323517-05S1, 5U62PS000778-02 Grant Award Period: 9/30/08-9/29/09, 1/1/08-12/31/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the HIV Prevention Activities program for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 4 out of the 40 drawdowns made during FY 2009 totaling $940,715 and noted that 2 of the 4 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DA9HAA52 and DA9HAA14 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DOH's compliance with the provisions of the CMIA agreement.

Effect – DOH is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DOH did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DOH comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DOH is not in compliance with CMIA agreement with regard to requesting timely reimbursement.

Accounting staff perform weekly drawdowns based on EIS/CFO$olve Grant Drawdown report of expenditures from the District's accounting system of record (SOAR). The cash drawdown request is made on Thursday to ensure funds are deposited to the District's account on Friday. The weekly drawdown occurs once in a five-day work-week period which is within the CMIA average clearance pattern of 7 days for benefit payments (non-personnel services).

The average number of days for the drawdown of benefit payments (non-personnel services) for RCR Nos. DA9HAA52 and DA9HAA14 averaged 9 days which was outside the 7 day CMIA benefit payment clearance pattern. Cash was drawndown every Thursday with the exception of December 5th, 2009 and December 26th, 2009. This oversight, which was caused by the demands of the CAFR audit and the Christmas vacation, resulted in the average for the drawdowns being 9 days. Additionally, payroll was inconsistently recorded in SOAR, outside of the control of the agency. Due to this inconsistency, accounting staff currently review the "485 Report" (Payroll Register) to determine amounts to draw for personnel service charges. Staff is also cross-trained to ensure that draws continue during times of absence.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-19	U.S. Department of Health and Human Services Healthy Start Initiative CFDA Number: 93.926 Grant Award Number: 6 H49MC00117-08-01, 6 H49MC00117-09-00 Grant Award Period: 6/1/08-5/31/09, 6/1/09-5/31/10	Eligibility	Not Determinable

Criteria or Specific Requirement – OMB Circular A-133 Subpart C Section .300 (b) states, "The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

It is also noted that individuals and families who are interested in the Healthy Start Initiative program can self-refer for the program or they can be referred from a hospital, other social welfare program, or a friend. To enter the program, (a) a participant needs to be a D.C. resident, (b) pregnant or postpartum with an infant under three (3) months of age, and (c) be a resident in a ward of the District covered by the grant. A referral must be submitted to the program and must include all required information including the signed consent form in order to be considered for participation in the program.

Condition – DOH-Community Health Administration (CHA) is responsible for determining participant eligibility for the Healthy Start Initiative program. Each participant is required to sign the consent form to authorize CHA to perform the necessary eligibility determination and to conduct follow-up visits to the participants.

During our review of 45 participant files selected for testing, we noted 2 participant files did not have the signed consent forms.

Context – This is a condition identified per review of DOH's compliance with specified requirements.

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – During the year, CHA converted all its application documents to electronic files. During the conversion, some documents were misplaced.

Recommendation – We recommend that CHA improve internal control procedures to ensure that documentation is maintained to support eligibility decisions and that files are properly maintained and secured.

Views of Responsible Officials and Planned Corrective Actions – CHA's Healthy Start Initiative program utilizes operational policies and procedures (P&Ps) to provide services to eligible participants. It is the program's goal that a copy of these P&Ps is distributed to all applicable staff and staff members adhere to them. To prevent further issues surrounding this finding, the program will:

1. Review and revise (as needed) the P&Ps that discuss program consent requirements. Any revisions will be distributed to all applicable staff.
2. Re-educate all applicable staff about the need for a signed consent form.
3. Review and revise (as needed) the medical records P&Ps for auditing medical record charts for documentation.
4. Conduct a random medical record chart audit that checks for the presence of all required documentation on a quarterly basis.

CHA has already corrected the files mentioned in the finding. The files were updated with duplicate consent forms to bring the files into compliance with the requirement.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

No.	Program	Findings/Noncompliance	Questioned Costs
2009-20			

This finding # was not used.

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District Agency – Department of Health (DOH)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-21	U.S. Department of Health and Human Services Public Health Emergency Preparedness CFDA Number: 93.069 Grant Award Number: 5U90TP316831-09 Grant Award Period: 8/10/08-8/09/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – DOH and the Office of Contracting and Procurement (OCP) were unable to provide proper documentation to support that 1 out of the 7 procurement files sampled was in accordance with OCP's policies and procedures with regards to (1) supporting the significant history of the procurement; (2) supporting the vendor selection process; and (3) ascertaining whether a cost or price analysis was performed. There was also no support to show that DOH or OCP had validated that the vendor was not suspended or debarred from providing services where federal funds were utilized. We also noted that this procurement was incorrectly coded into the system.

Context – This is a condition identified per review of DOH's compliance with specified requirements. We reviewed 7 procurement files totaling $650,166.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH could possibly issue procurements without the appropriate funding.

Cause – DOH relies on OCP to ensure procurement requirements are met, as well as for the maintenance of appropriate supporting documentation. As such, DOH did not adhere to the required policies and procedures to ensure that it complied with the appropriate documentation requirements under OMB Circulars A-133 and A-102 for procurement, suspension, and debarment.

Recommendation – We recommend that DOH and OCP improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that OCP review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – While DOH and OCP agree in principle with the overall non-compliance related to properly maintaining supporting transaction documentation, DOH and OCP do not agree with the statement which suggests that "DOH could possibly issue procurements without appropriate funding."

Given that the Agencies' procurements are initiated through and using the Procurement Automated Support System (PASS), its integrated workflow requires that these procurement requests secure funding approvals prior to being forwarded to the appropriate Contracting Officer for action, review, and approval. Therefore, DOH's procurements could not be awarded without funding approval.

During the fourth quarter of FY 2009, OCP took action, for its small procurement transactions (less than $100,000), to begin retaining documentation electronically in PASS. Additionally, to ensure that OCP's large procurement transactions (greater than or equal to $100,000) are properly documented and supporting evidence retained, in December 2009, OCP awarded the contract for the implementation of the ARIBA Contract Compliance (ACC) module, which will serve as a centralized repository of all District contract information.

As of January 2010, OCP, the Office of the Chief Technology Officer (OCTO), and the vendor initiated the implementation kick-off. Throughout FY 2010 and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) defining the user requirements; (2) customizing & developing the system; (3) conducting user testing; and (4) implementation (which includes both a communication and training plan for users). Equally critical to the successful implementation of the ACC module and full remediation of this finding will be the migration of the current and active contracts from OCP and the independent agencies into PASS.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-22	U.S. Department of Education Vocational Rehabilitation Cluster and ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States CFDA Number: 84.126, 84.390 Grant Award Number: H126A080011A Grant Award Period: 10/1/08-9/30/10	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Vocational Rehabilitation program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 8 out of the 24 drawdowns made during FY 2009 totaling $2,445,107 and noted that 6 of the 8 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT9DJ005, DT9CS306, DT9DJ038, DT9CS327, DT9DJ081, and DT9DJ089 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DDS' compliance with the provisions of the CMIA agreement.

Effect – DDS is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DDS did not appear to excise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DDS comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – DDS draws cash for payroll in accordance with the 0 days clearance pattern and nonpayroll within the 7 day clearance pattern on a weekly basis. The drawdown amounts are based on actual cash expenditures recorded in SOAR, the District's accounting system of record. Consideration should be given to amend the CMIA agreement since cash expenditures are readily available in SOAR.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-23	Social Security Administration Social Security - Disability Insurance CFDA Number: 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/08-9/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the Social Security - Disability Insurance program for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Administrative costs require the use of the fixed administrative allowance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 8 out of the 27 drawdowns made during FY 2009 totaling $6,676,617 and noted that 6 of the 8 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT9DJ007, DT9CS316, DT9CS321, DT9DJ073, DT9CS332, and DT9DJ046 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of DDS' compliance with the provisions of the CMIA agreement.

Effect – DDS is not in compliance with the provisions of the CMIA agreement. We noted examples where federal funds were requested later than required. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – DDS did not appear to excise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that DDS comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – DDS draws cash for payroll in accordance with the 0 days clearance pattern and nonpayroll within the 7 day clearance pattern on a weekly basis. The drawdown amounts are based on actual cash expenditures recorded in SOAR, the District's accounting system of record. Consideration should be given to amend the CMIA agreement since cash expenditures are readily available in SOAR.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-24	U.S. Department of Education Vocational Rehabilitation Cluster and ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States CFDA Number: 84.126, 84.390 Grant Award Number: H126A080011A Grant Award Period: 10/1/08-9/30/10	Eligibility	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement states the following:

- An individual is eligible for Vocational Rehabilitation (VR) services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment (Section 102(a) (1) of the Act (29 USC 722(a) (1))).

- An individual who is a beneficiary of Social Security Disability Insurance or a recipient of Supplemental Security Income is presumed to be eligible for VR services (provided that the individual intends to achieve an employment outcome consistent with the unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual) unless the State VR Agency can demonstrate by clear and convincing evidence that such individual is incapable of benefiting in terms of an employment outcome from VR services due to the severity of the disability of the individual (Section 102(a)(3) of the Act (29 USC 722(a)(3))).

- The State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6)).

    - Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
    - The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

- The Rehabilitation Services Administration Program Instruction states: Rehabilitation services will be provided in accordance with the Individualized Plan for Employment (IPE) or Individualized Living Plan (ILP). The IPE or ILP will be a written document prepared on forms provided by District of Columbia Rehabilitation Services Administration (DCRSA) and must be designed and implemented to achieve a specific employment or independent living outcome that has been selected by the client consistent with the client's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and exercise of informed choice in selecting:

- The employment or independent living outcome;
- The specific vocational rehabilitation or independent living;
- Services needed to achieve the outcome;
- The entity or entities that will provide the services;

- The Counselor shall facilitate the implementation of an IPE within 90 days or an ILP within 120 days of the client's eligibility determination or within 90 days of a determination that the client should participate in extended evaluation and review the IPE or ILP at least annually with the client or, as appropriate, with the client's representative, to assess the client's progress in achieving the identified employment or independent living outcome.

Condition – We noted the following:

1. In 77 cases tested, eligibility was not evident in 4 cases as DDS was unable to provide supporting documentation. It was also noted that in 1 of these 4 cases, the case file only contained diary entries about the client, which were copies generated from the system. DDS could not locate the original file, which contained all the original documentation.

2. Within the 77 cases tested, where eligibility was evident, we noted that:
   - In 30 cases, eligibility was determined after the 60-day window.
   - In 24 cases, the IPE was not prepared within the specified 90 days.
   - In 14 cases, the vocational appraisal was not in the file.
   - In 9 cases, the IPE was not signed by either the applicant or the Counselor.
   - In 6 cases, the copy of SSI/SSDI certified letter or copy of a pay stub for clients presumed eligible based upon receiving SSI/SSDI was not in the file.
   - In 2 cases, the IPE was not in the file.
   - In 1 case, the client's rights and responsibilities were not properly signed.
   - In 1 case, the client's rights and responsibilities were not in the file.
   - In 1 case, the assessment of the client's mental /physical status was not in the file.
   - In 1 case, the certification of eligibility was not in the file.
   - In 1 case, the certification of eligibility was not signed by the Counselor.
   - In 1 case, the date in the IPE was 700 days earlier than the date the certification of eligibility was signed.

Context – This is a condition identified per review of DDS' compliance with specified requirements.

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – The process of documenting and monitoring compliance with the specific grant requirements was not functioning as intended.

Recommendation – DCRSA should evaluate the reporting process that flags client applications that are approaching the threshold dates, so that accurate determinations can be made, and the IPE can be constructed in a timely manner. In addition, a properly completed checklist together with the required documentation should be included in each file to ensure that all requirements have been met before service is provided. In all instances, there should be proper documentation kept to validate the status of all eligible recipients.

Views of Responsible Officials and Planned Corrective Actions – DCRSA concurs with the findings. DCRSA conducted an extensive evaluation of its current Case Management System. The results of the review clearly indicated the need for a new system. DCRSA was able to purchase and implement a new Case Management System; after training of staff, the system went live in May 2010.

The new Case Management System will provide a more viable monitoring tool which produces an alert list of cases that are flagged to notify the counselor as to how many days they have to determine eligibility, ineligibility, or complete the waiver of the 60 day process with the client. The new system's monitoring tool also alerts counselors on each case that is approaching the designated 90 day time line in the development of the IPE.

DCRSA's new Policy and Procedure Manual is currently under review by the State Rehabilitation Council. The agency will expedite the promulgation of the manual to allow direct service staff more in-depth training on policies, procedures, and technical aspects of case management related to key issues addressed in the findings including application, eligibility/active, and closure.

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-25	U.S. Department of Education Vocational Rehabilitation Cluster and ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States CFDA Number: 84.126, 84.390 Grant Award Number: H126A090011A Grant Award Period: 10/1/08-9/30/10	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – We noted the following:

- DDS was unable to provide procurement files that documented the methodology and cost analysis used to award contracts to a vendor with a purchase order amount of $36,336.
- There was no evidence of DDS verifying whether 15 vendors sampled has been debarred or suspended from providing services where federal funds were utilized.

Context – This is a condition identified per review of DDS' compliance with specified requirements. We reviewed 23 procurement files totaling $914,901.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DDS could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DDS could possibly issue procurements without the appropriate funding.

Cause – DDS does not have adequate procurement processes and controls in place to ensure compliance with the federal procurement regulations.

Recommendation – We recommend that DDS improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that DDS review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – DDS did not conduct a price analysis on the vendor with a purchase order amounting $36,336 because the price was negotiated in the base year of the contract by the District's central procurement office, Office of Contracting and Procurement (OCP), prior to DDS becoming an independent agency in 2007. The vendor that was awarded the procurement was, however, selected from the District of Columbia Supply Schedule, where all vendors are verified not to be excluded from federal procurements. DDS confirmed that none of the sources awarded with contracts or purchase orders were debarred, suspended, or ineligible. Although the on-line file did not include physical evidence that the excluded parties list at https://www.epls.gov/epls/search was checked for the small purchases (less than $100,000), EPLS verification was actually conducted at the time of the award on a majority of the procurements. DDS, on advisement from the reviewers, has agreed that documentation to the file will include a "print screen" pasted to a word document of the actual EPLS findings, even for simplified acquisitions (small purchases), which require minimum documentation, consistent with regulatory guidance at Federal Acquisition Regulation (FAR) Part 13, section 13.106-3 and FAR 9.105-2(a).

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-26	Social Security Administration Social Security - Disability Insurance CFDA Number: 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/08-9/30/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – We noted that there was no evidence of DDS verifying whether the 16 vendors sampled had been debarred or suspended from providing services where federal funds were utilized.

Context – This is a condition identified per review of DDS' compliance with specified requirements. We reviewed 22 procurement files totaling $964,882.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DDS could have inadvertently contracted with a vendor that is suspended or debarred from doing business with the Federal government.

Cause – DDS does not have adequate procurement processes and controls in place to ensure compliance with the federal procurement regulations.

Recommendation – We recommend that DDS improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that DDS review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – DDS confirmed that none of the sources awarded with contracts or purchase orders were debarred, suspended, or ineligible. Although the on-line file did not include physical evidence that the excluded parties list at https://www.epls.gov/epls/search was checked for the small purchases (less than $100,000), EPLS verification was actually conducted at the time of the award on a majority of the procurements. DDS, on advisement from the reviewers, has agreed that documentation to the file will include a "print screen" pasted to a word document of the actual EPLS findings, even for simplified acquisitions (small purchases), which require minimum documentation, consistent with regulatory guidance at Federal Acquisition Regulation (FAR) Part 13, section 13.106-3 and FAR 9.105-2(a).

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District Agency – Department of Disability Services (DDS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-27	Social Security Administration	Reporting	Not Determinable
	Social Security - Disability Insurance CFDA Number: 96.001 Grant Award Number: 1-536001131-A4 Grant Award Period: 10/1/08-9/30/09		

Criteria or Specific Requirement – The form SSA-4514, Time Report of Personnel Services (OMB No. 0960-0421), is a quarterly report used to identify the number of hours worked by staffing category and employment status (i.e., full-time, part-time, temporary). This report should reflect all hours worked by personnel engaged in the program during the reporting period.

Condition – We reviewed form SSA-4514 for the quarter ended March 31, 2009 and noted that total employee overtime hours reported were 17 hours lower than the supporting documentation.

Context – This is a condition identified per review of DDS' compliance with specified requirements.

Effect – DDS was not in compliance with the reporting requirements of the grant program.

Cause – It appears that accounting and review procedures over information recording were not functioning as intended.

Recommendation – We recommend that DDS enhance the review and approval process to ensure that the reports submitted to the Federal agency reflect accurate information.

Views of Responsible Officials and Planned Corrective Actions – DDS concurs with the finding that the overtime hours included on SSA-4514 report were understated by 17 hours.

The form SSA-4514 is a quarterly programmatic report submitted to the Social Security Administration and is used to determine the number of FTE(s) based on the number of the regular and overtime hours worked for that quarter. This report does not impact the expenditures reported to Social Security Administration for the Disability Insurance Grant. The form SSA-4513 quarterly financial status report which reports the expenditures reflected the correct amount of overtime hours and the related expenditures. If the 17 hours were included in the SSA-4514 report, the FTE(s) would have been 33.79 as opposed to 33.82.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-28	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2009G9909CS Grant Award Period: 10/1/08-9/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA Agreement identifies 2 funding techniques for the Child Support Enforcement grant for the drawdown of funds:

- Non-payroll program payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 11 out of the 20 drawdowns made in FY 2009 totaling $11,183,357 and noted that all 11 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DTCB0806, DTCB0806(1), DTCB0807, DTCB0807(1), DTCB0901, DTCB0910, DTCB0911, DTCB0913, DTCB0915, DTCB0916, and DTCB0918 were made later than required by the CMIA agreement.

Context – This is a condition identified per review of OAG's compliance with the provisions of the CMIA agreement.

Effect – OAG is not in compliance with the provisions of the CMIA agreement. 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 – OAG did not appear to exercise due diligence in requesting funds consistent with the CMIA agreement and its actual cash needs.

Recommendation – We recommend that OAG comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs.

Views of Responsible Officials and Planned Corrective Actions – OAG agrees that the drawdowns were not in compliance with the requirements of the CMIA agreement in regards to timeliness. During FY 2009, new policies and procedures were established for the performance of quarterly reconciliations.

These procedures were enhanced during FY 2010. Prior to drawing down grant funds, a CFO Solve report of grant expenditures by date is reviewed so that drawdowns are performed consistent with CMIA funding techniques. However, 100% compliance with the CMIA agreement was difficult to achieve because of the following factors:

1. Based on the current funding method, the clearance pattern would have required multiple drawdowns per week because expenditures were incurred almost daily.
2. Grant funds were not always awarded in a manner which ensured that funds were available for drawdown in the Federal payment management system.

OAG conducts ongoing reviews of its policies and procedures so that improvements/compliance with the CMIA agreement can be achieved.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-29	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2009G9909CS Grant Award Period: 10/1/08-9/30/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – OAG and the Office of Contracting and Procurement (OCP) were unable to provide proper documentation to support that 2 out of the 5 procurement files sampled were in accordance with OCP's policies and procedures. We noted the following:

- In 1 out of the 5 procurement items selected for testing, there was no documentation to support the history and rationale for the procurement. As a consequence, we were unable to conclude whether this procurement had provided for full and open competition or even whether there was any rationale to limit competition. We were also unable to conclude whether any cost or price analysis had been performed in this instance.
- In 1 out of the 5 procurement items selected for testing, there was no documentation for the approval of the extension of the contract period. As a consequence, we were unable to conclude whether expenditures incurred after the contract period were properly procured.
- Further, in both of the procurement selections mentioned above, there was no support to show that OAG or OCP had validated that the vendor was not suspended or debarred from providing services where federal funds were utilized.

Context – This is a condition identified per review of OAG's compliance with specified requirements. We reviewed 5 procurement files totaling $4,225,116.

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 relies on OCP to ensure procurement requirements are met, as well as for the maintenance of appropriate supporting documentation. As such, OAG did not adhere to the required policies and procedures to ensure that it complied with the appropriate documentation requirements under OMB Circulars A-133 and A-102 for procurement, suspension, and debarment.

Recommendation – We recommend that OAG and OCP improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that OCP review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – The following responses were provided by the respective agencies:

OCP Response: As of December 2009, the Office of Contracting & Procurement (OCP), through its Agency Contracting Officer (ACO) Training and Certification Program, delegated contracting authority to an Office of the Attorney General (OAG) procurement professional for transactions valued at $25,000 or less. This additional resource, embedded within the agency, will also provide advice and counsel to both OAG and OCP on procurement related matters, ensuring that proper practices, laws, and guidelines are adhered to.

During the fourth quarter of FY 2009, OCP took action, for its small procurement transactions (less than $100,000), to begin retaining documentation electronically in the Procurement Automated Support System (PASS). Additionally, to ensure that OCP's large procurement transactions (greater than or equal to $100,000) are properly documented and supporting evidence retained, in December 2009, OCP awarded the contract for the implementation of the ARIBA Contract Compliance (ACC) module, which will serve as a centralized repository of all District contract information.

As of January 2010, OCP, the Office of the Chief Technology Officer (OCTO), and the vendor initiated the implementation kick-off. Throughout FY 2010 and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) defining the user requirements; (2) customizing & developing the system; (3) conducting user testing; and (4) implementation (which includes both a communication and training plan for users). Equally critical to the successful implementation of the ACC module and full remediation of this finding will be the migration of the current and active contracts from OCP and the independent agencies into PASS.

OAG Response: OAG has informed OCP of applicable federal laws and regulations, including federal grant provisions, which govern the District's IV-D Program for which OAG is responsible, and the agency has instituted policies to ensure compliance with these laws and regulations. For example, OAG and OCP have instituted an internal policy where OAG places a reminder in the comments section of the pre-encumbrance funding documentation to conduct a Federal excluded parties search before making any awards on behalf of OAG's IV-D Program.

In addition, OAG has taken other steps in an effort to ensure that applicable federal laws and regulations are followed and to avoid awards being inappropriately made. Such steps include maintaining its own thorough files in order to supplement the official contract files maintained by OCP, in the event that OCP determines that necessary documentation is missing from the official files and seeks OAG's assistance to ensure the official files are complete.

The contract files that OAG maintains include (amongst other things) the following: (i) costs/price analyses and market research performed by OAG personnel; (ii) funding documentation, including funding certifications, requisitions, and Purchase Orders; (iii) bidders' lists prepared by OAG personnel; (iv) solicitation documentation, including request for proposals (RFPs) and amendments; and (v) post award documentation, including award letters, contracts, contract modifications, and contract extension documents.

Such steps also include OAG personnel performing its own Federal excluded parties search and providing the results to OCP for the official file (just in case OCP fails to do so), in addition to placing the results in OAG's file, and requesting OCP to comply with the requirement set forth in OMB Circular A-102 regarding specifying in the announcement of the awarding of contracts with an aggregate value of $500,000 or more the amount of Federal funds that will be used to finance the acquisition.

The District has elected to make OCP the District's centralized official contracting and procurement body, and as such, OCP is responsible for handling the official procurement process for procurements made by District agencies (excluding those with independent procurement authority). Such responsibility includes, but is not limited to, advertising solicitations, making sure that full and open competition has ensued (unless a sole source is justified), and checking tax compliance and suspension and debarment status of offerors. In its capacity as the District's official contracting body, OCP is also responsible for maintaining the official contract files documenting all steps taken during the procurement process.

While OCP remains responsible for procuring goods and services on behalf of OAG's Child Support Enforcement Program, OAG will continue to diligently work with OCP in an effort to ensure that it adheres to all applicable Federal laws and regulations and to avoid future similar audit findings.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-30	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2009G9909CS Grant Award Period: 10/1/08-9/30/09	Special Tests and Provisions: Provision of Child Support Services for Interstate Initiating Cases	Not Determinable

Criteria or Specific Requirement – The State IV-D agency for initiating cases must, within 20 calendar days of determining that the non-custodial parent is in another State, and upon receipt of all necessary information needed to process the case, refer the case to the responding State's Interstate central registry for action.

Condition – For initiating cases, OAG did not refer 1 out of 23 cases selected by us for testing, to the responding State's Interstate central registry for action within the specified 20 calendar days of determining that the non-custodial parent is in another State.

Context – This is a condition identified per review of OAG's compliance with specified requirements.

Effect – OAG is not in compliance with the requirements specified by the OMB Circular A-133 Compliance Supplement related to child support services.

Cause – It appears that there was a lack of timely review to ensure that the requirements were being met.

Recommendation – We recommend that OAG should restructure or reorganize the current process for its enforcement unit. Additionally, such requirements should be closely monitored and reviewed to avoid future recurrence. It is also essential to retain all documentation related to the enforcement actions that have been taken.

Views of Responsible Officials and Planned Corrective Actions – OAG has instituted many improvements to its procedures for handling Interstate cases. The resulting improvement from the FY 2008 A-133 Single Audit is directly attributable to OAG's efforts, and the agency is confident that the improvements will have the result of closing any holes in the procedures in which such cases have fallen.

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District Agency – Office of the Attorney General (OAG)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-31	U.S. Department of Health and Human Services Child Support Enforcement CFDA Number: 93.563 Grant Award Number: 2009G9909CS Grant Award Period: 10/1/08-9/30/09	Special Tests and Provisions: Establishment of Paternity and Support Obligations	Not Determinable

Criteria or Specific Requirement – The State IV-D agency must establish or attempt to establish paternity and support obligations for a child born out of wedlock within 90 days of locating the non-custodial parent. In addition, the State IV-D agency must ensure that paternity and support obligation services are provided within the required time frames.

Condition – We noted the following:

- For 2 out of 45 cases selected by us for testing, OAG did not establish or attempt to establish a support obligation within 90 days after locating the non-custodial parent.
- For 2 out of 45 cases selected by us for testing, paternity and support obligation services were not provided within the required time frames.

Context – This is a condition identified per review of OAG's compliance with specified requirements.

Effect – OAG is not in compliance with the requirements specified by the OMB Circular A-133 Compliance Supplement related to child support services.

Cause – It appears that OAG did not have adequate resources to ensure compliance with the specified requirements or there was a lack of timely review to ensure that the requirements were being met.

Recommendation – We recommend that such requirements should be closely monitored and reviewed to avoid future recurrence.

Views of Responsible Officials and Planned Corrective Actions – While OAG agrees that these cases were not processed within the specified number of days of locating the non-custodial parent, the agency notes that the ultimate goal of establishing paternity and support was achieved in both of these cases. To address the delay experienced in one of the cases noted, the Agency will tighten up on the procedures for processing reissuance. Reissue is the mechanism for bringing a previously-filed petition back to court. However, the Agency believes that is has already instituted changes necessary to address the delay experienced in the other case noted. Rather than verifying every address through a postal verification letter, which can add months to the processing time, OAG has directed its staff to verify 1) that the address exists and 2) that the same address is listed in the Agency's primary locate source system, CLEAR.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

No.	Program	Findings/Noncompliance	Questioned Costs
2009-32			

This finding # was not used.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-33	U.S. Department of Health and Human Services Head Start (Direct Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/22, 03CH0233/23 Grant Award Period: 9/1/08-8/31/09, 9/1/09-8/31/10	Allowable Costs: Indirect Cost Activities	$152,353

Criteria or Specific Requirement – OMB Circular No. A-87 Attachment E states that due to the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as indirect costs cannot be specified in all situations. However, typical examples of indirect costs may include certain: a) state/local-wide central service costs; b) general administration of the grantee department or agency; c) accounting and personnel services performed within the grantee department or agency; d) depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, etc.

For the above listed grant award period, the Department of Health and Human Services included a line item in the grant award's approved budget with respect to the amount of indirect costs which are allowed to be charged through and reimbursed.

Condition – The amount of indirect costs allowed to be charged per the grant award's approved budget was $325,000 and DCPS charged $477,353.

Context – This is a condition identified per review of DCPS' indirect cost recovery as allowed by the specified grant award requirement.

Effect – Excess indirect costs were charged to the federal program thereby overstating total expenditures and the related reimbursement.

Cause – The process of monitoring compliance with this specific grant requirement was not functioning as intended.

Recommendation – We recommend that DCPS should institute procedures to ensure indirect costs are properly calculated and charged/recorded in compliance with the maximum amount allowed per the grant award.

Views of Responsible Officials and Planned Corrective Actions – DCPS does not concur that indirect costs were in excess of the amount allowed per the grant award. An estimate of indirect costs was used in the grant award application and the final cost applied at the rate per the Department of Education approved indirect cost agreement.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2009-34	U.S. Department of Health and Human Services Head Start (Direct Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/22, 03CH0233/23 Grant Award Period: 9/1/08-8/31/09, 9/1/09-8/31/10	Cash Management	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Head Start program for the drawdown of funds:

- Reimbursement of payroll expenditures requires the use of the average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Administrative costs require the use of the fixed administrative allowance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

In addition, per OMB Circular A-133, cash drawdown requests for federal funds must be supported and proper documentation maintained. It is also required that the amount of reimbursement request should be closely matched to the amount of the actual disbursement.

Condition – We reviewed 4 out of the 11 drawdowns made during FY 2009 totaling $5,011,769 and noted that 3 of the 4 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

Additionally, DCPS was unable to provide any supporting documentation for the last drawdown selected by us for testing. This unsupported drawdown amounted to $400,297.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS is not in compliance with the provisions of the CMIA agreement. DCPS' requests for federal funds for the program may not be based on the exact amount of the actual disbursements.

Cause – DCPS did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs. It also appears that the records retention policy over cash management was not functioning properly and as intended.

Recommendation – We recommend that DCPS comply with the provisions of the CMIA agreement and request federal funds consistent with the funding techniques specified in the CMIA agreement and its actual cash needs. We also recommend that DCPS review its current records retention policy to ensure that complete documentation is maintained for all cash drawdown transactions.

Views of Responsible Officials and Planned Corrective Actions – Management concurs that DCPS was not in compliance with the CMIA agreement in regards to consistently requesting timely reimbursement. A new procedure is being developed that will address the consistency and accuracy of future drawdowns. In addition, DCPS will review the document retention policy, and revise it as necessary, to ensure that adequate documentation related to cash drawdowns is consistently available for review.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

No.	Program	Findings/Noncompliance	Questioned Costs
2009-35			

This finding # was not used.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2009-36	U.S. Department of Health and Human Services Head Start (Direct and Pass-through Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/22, 03CH0233/23 Grant Award Period: 9/1/08-8/31/09, 9/1/09-8/31/10 Pass-through Grant Award Number: Delegate Agency UPO Agreement No. 080708 dated August 1, 2008	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement states that for FY 2009 and thereafter, not less than 10 percent of the total number of children actually enrolled by each Head Start Agency and each delegate agency must be children with disabilities determined to be eligible for special education and related services unless a waiver has been approved by ACF (42 USC 9835(d)).

Condition – We noted that during FY 2009 the percentage of children with disabilities actually enrolled in the Head Start program was less than the required 10 percent of the total number of children enrolled in the program.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS is not in compliance with the earmarking requirement that 10 percent of the total number of children enrolled must be determined to be eligible for special education and related services. Consequently, grant funds may not have been utilized for their intended purpose.

Cause – DCPS did not appear to have a policy or procedure in place for meeting the targeted earmark requirement and there appeared to be no review of the requirement during the year.

Recommendation – We recommend that DCPS improve its enrollment monitoring process by establishing stronger tracking and monitoring systems to ensure that the required percentage of eligible children with disabilities have been enrolled so that there is compliance with the targeted enrollment requirement.

Views of Responsible Officials and Planned Corrective Actions – Since the inception of the Early Stages Program in 2009, DCPS Head Start has worked closely with Early Stages to ensure timely identification of children with special needs. To date, DCPS' percentage of enrolled Head Start special needs children is 11% for the 2009-2010 school year.

There are two ways a child is considered to be part of the Head Start 10% special needs enrollment.

1. A child enters Head Start with an Individual Education Plan (IEP) approved by the Local (lead) Educational Agency (LEA). Children with an IEP are prioritized during enrollment and receive the first available seat.
2. Children who are suspected of having a disability are identified after entering the Head Start program and referred to the LEA for evaluation for an IEP determination.
    a. Only children who have a formal IEP issued by an LEA are considered "special needs."

Process enhancements for identification and referral are as follows:

1. All children enrolling in Head Start will receive a developmental screening within the first 45 days of entering the program. A developmental screening is a brief check to identify children who need further evaluation to determine whether they may have disabilities.
2. Children who are identified as needing further evaluation are referred to the LEA. In the case of DCPS, the LEA (since the Fall of 2009) is the DCPS Early Stages Program.
3. Within 120 days, Early Stages completes an evaluation of the child and determines whether a disability exists.
4. Once the disability determination is made, an IEP is developed in partnership with parents, teachers and special needs staff; then and only then, can a child be included as part of the special needs enrollment.

Based on this timeline (for children not entering the program with an IEP) a child, entering the program at the beginning of the school year, would be determined "special needs" as late as February of the following year. Children entering the program in the Spring may not have an IEP until after the end of the school year. Since the formation of the Early Stages program in the Fall of 2009, this timeline has been closely adhered to.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2009-37	U.S. Department of Health and Human Services	Period of Availability	$40,170
	Head Start (Direct and Pass-through Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/22, 03CH0233/23 Grant Award Period: 9/1/08-8/31/09, 9/1/09-8/31/10 Pass-through Grant Award Number: Delegate Agency UPO Agreement No. 080708 dated August 1, 2008		

Criteria or Specific Requirement – Per the U.S. Department of Health and Human Services Financial Assistance Award, recipients who have properly obligated funds by the end of the award period will have 90 days in which to liquidate (expend) these funds. Any funds not liquidated at the end of the 90 day period will lapse and may revert to the Administration for Children and Families, unless an adjustment extending the liquidation period has been approved.

Condition – In 1 out of 4 non-payroll disbursements selected by us for testing, we noted that a $40,170 obligation from the 2008 grant award period was expended in January 2009, which was past the 90 days liquidation period allowed for this grant award.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS is not in compliance with the stated provisions and expenditures may not be considered allowable under the federal program.

Cause – DCPS did not properly review the expenditures to ensure that they were charged to appropriate grant award period.

Recommendation – We recommend that DCPS improve its review and approval process to ensure that expenditures are charged to the correct grant award period.

Views of Responsible Officials and Planned Corrective Actions – DCPS notes that the amounts were recorded and accrued in the correct period; however, in complying with the District's Cash Management Improvement Act (CMIA) agreement, DCPS was only able to draw down after these items became cash expenditures which was beyond the period of availability.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-38	U.S. Department of Health and Human Services Head Start (Pass-through Funding) CFDA Number: 93.600 Grant Award Number: Delegate Agency UPO Agreement No. 080708 dated August 1, 2008	Reporting	Not Determinable

Criteria or Specific Requirement – DCPS is required to submit various progress reports to the Executive Deputy Officer for preschool and day care, in accordance with the Head Start Delegate Agency Agreement with the United Planning Organization (UPO). Further, the Head Start Delegate Agency Agreement states that the delegate shall submit to UPO each month, a certified requisition for payment of expenses, inclusive of non-federal project costs.

Condition – DCPS was unable to provide many of the reports required to be submitted to UPO; the following was noted:

- With respect to the Monthly Program Information Report Summary and the Narrative Progress and Disabilities report, only one complete package for the month of May 2009 was provided for our review. We noted that while report packages were prepared for the other months of the year, the contents were incomplete and did not include all the required elements. In addition, we were unable to verify whether any of these reports had been reviewed or approved by a DCPS authorizing official.
- The Quarterly Quality Training Plan Update report, Quality Improvement Plan Tracking report, monthly Center by Center class listing, and annual final written report were not available for any of the months/quarters of the year under review.
- The Monthly Enrollment/Attendance Report was only available for October, November, and December 2008. In addition, the December 2008 report did not include any attendance information.
- DCPS did not submit monthly reimbursement requests to UPO as required by the agreement. Only five reimbursement requests were submitted to UPO for the entire FY 2009.
- We noted that while DCPS met and exceeded its matching requirement for the program, the amount of local expenditures reported to UPO was incorrect.

Context – This is a condition identified per review of DCPS' compliance with specified financial and programmatic reporting requirements under the UPO Delegate Agency Agreement.

Effect – Failure to submit the required reports can result in suspension or termination of funding and disallowed costs. Further, due to the lack of evidence of any reviews conducted on the information included in the reports, inaccurate information may have been reported.

Cause – It appears that policies and procedures, including review over reporting procedures, were not functioning as intended.

Recommendation – DCPS should enforce its policies and procedures to ensure that the required reports are submitted to the governing agency, as requested, and that a copy of the reports is also maintained. DCPS should further enforce its policies covering proper recording, reconciliation, and review procedures to ensure that there is consistency between the accounting system and the reports that are submitted.

Views of Responsible Officials and Planned Corrective Actions – In past years, the actual reports requested by UPO did not correlate to the reporting requirements listed in the agreement with UPO. In the newly begun program year, an amendment to the DCPS contract with UPO was finalized to more accurately reflect the reporting required by UPO. As part of DCPS program enhancement, reports are now sent monthly via email, with hard copies maintained in the Head Start central office.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-39	U.S. Department of Health and Human Services Head Start (Pass-through Funding) CFDA Number: 93.600 Grant Award Number: Delegate Agency UPO Agreement No. 080708 dated August 1, 2008	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – In accordance with the sub-grant agreement between United Planning Organization (UPO) and DCPS, DCPS awarded a sub-grant to an organization named Spanish Education Development Center (SED or sub-grantee). The agreement states that DCPS is responsible for monitoring funding for program implementation through various reporting mechanisms and on-site reviews.

Condition – We noted the following:

- We were unable to determine whether regular monitoring activities had been performed since DCPS was unable to provide the monitoring site-visit checklist for 3 months during the year.
- DCPS was unable to provide support of its verification that its sub-grantee had met the stated matching requirement.

Context – This is a condition identified per review of the specified requirements under the sub-grant agreement with the Spanish Education Development Center.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – It appears that the monitoring procedures were not applied as was intended by the stated policies.

Recommendation – DCPS should improve its policies and procedures to ensure that proper and adequate monitoring is being done of the sub-grantee during the fiscal year.

Views of Responsible Officials and Planned Corrective Actions – An amendment of the subrecipient contract is currently underway and this will result in an alignment of contractual and actual reporting requirements. In addition, DCPS will assign monitoring tasks and closely monitor all reporting requirements of the amended contract for the 2009-2010 program year.

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District Agency – District of Columbia Public Schools (DCPS)

No.	Program	Findings/ Noncompliance	Questioned Costs
2009-40	U.S. Department of Health and Human Services Head Start (Direct and Pass-Through Funding) CFDA Number: 93.600 Grant Award Number: 03CH0233/22, 03CH0233/23 Grant Award Period: 9/1/08-8/31/09, 9/1/09-8/31/10 Pass-through Grant Award Number: Delegate Agency UPO Agreement No. 080708 dated August 1, 2008	Special Tests and Provisions: Governing Body Composition	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that all Head Start agencies must establish and maintain a formal structure for program governance that, except for public entities and Indian tribes, includes a governing body composed of not less than one member with a background and expertise in fiscal management or accounting, not less than one member with a background and expertise in early childhood education and development, and not less than one member who is a licensed attorney familiar with issues that come before Head Start governing bodies.

In addition, Sections 642(c)(1) and 642(d)(2) of the Head Start Act states that upon receiving designation as a Head Start agency, the agency shall establish and maintain a formal structure for program governance for the oversight of quality services for Head Start children and families and for making decisions related to program design and implementation, and that each Head Start agency shall ensure the sharing of accurate and regular information for use by the governing body and the policy council, about program planning, policies, and Head Start agency operations.

Condition – We noted that the U.S. Department of Health and Human Services (DHHS) carried out a review of the District's Head Start program and concluded that the existing DCPS structure did not include a proper governing body with all the required elements.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – The lack of a governing body, with all the required elements, may lead to improper planning and implementation of the federal program.

Cause – While DCPS has a governing body in place, it appears to lack several key requirements.

Recommendation – We recommend that DCPS take steps to set up a properly functioning governing body and ensure that the members are qualified to conduct and execute the governing body responsibilities for the federal program, as required.

Views of Responsible Officials and Planned Corrective Actions – A Quality Improvement Plan (QIP), with specific steps addressing the stated issues, was submitted on November 17, 2009 and accepted by the ACF Regional III program office. Among other items, the QIP addresses board appointments with the required background; training of the governing body on legal and fiscal responsibilities; training of the governing body on development, planning, and evaluation responsibilities; and written standards of conduct. DCPS plans to implement this QIP in FY 2010.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

No.	Program	Findings/Noncompliance	Questioned Costs
2009-41			

This finding # was not used.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

No.	Program	Findings/Noncompliance	Questioned Costs
2009-42			

This finding # was not used.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-43	U.S. Department of Health and Human Services Foster Care - Title IV-E and ARRA - Foster Care - Title IV-E CFDA Number: 93.658 Grant Award: 0901DC1401 Grant Award Period: 10/01/08-09/30/09	Allowable Costs: Indirect Cost Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 Attachment A Paragraph C3d requires that: "where an accumulation of indirect costs will ultimately result in a charge to a federal award, a cost allocation plan will be required."

Condition – CFSA did not include the proper amount of intra-district and central services costs, as incurred in the first quarter, in its cost allocation pool. Intra-district costs of $2,161,682 and central services costs of $689,570 were excluded and this resulted in an understatement of indirect costs claimed for the period.

Context – This is a condition identified per review of CFSA's compliance with specified requirements.

Effect – The exclusion of the intra-district and central services costs resulted in an understatement of the required match for the quarter and reflected incorrect amounts to the Federal government for the first quarter. Reimbursable amounts were understated for the quarter.

Cause – CFSA's revenue maximization unit inadvertently excluded the intra-district and central services costs for the quarter.

Recommendation – We recommend CFSA have more than one individual review its agency pooled cost allocations to ensure that the allocations are accurate. We also recommend CFSA revised its future cost allocations for the understatement identified above.

Views of Responsible Officials and Planned Corrective Actions – The Agency concurs with the finding. In an effort to ensure that the cost allocation pool includes all appropriate costs, including those associated with the intra-district and central services costs and to subsequently prevent the understatement of indirect costs claimed for any given period, the Agency has implemented a corrective action plan which involves the complete re-write of the Agency cost allocation plan to ensure that appropriate costs are correctly captured and appropriately allocated. In addition, the Agency has discussed and will soon implement quality assurance review measures which will involve more than one individual reviewing Agency pooled cost allocations, and ensure that the allocations are accurate. Lastly, it should be noted, that the Agency will re-file the first quarter claim with all costs properly included and allocated for the quarter no later than Friday, June 25, 2010.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-44	U.S. Department of Health and Human Services Adoption Assistance and ARRA - Adoption Assistance CFDA Number: 93.659 Grant Award Number: 0901DC1403, 0901DC1407 Grant Award Period: 10/01/08-09/30/09	Allowable Costs: Indirect Cost Activities	Not Determinable

Criteria or Specific Requirement – OMB Circular A-87 Attachment A Paragraph C3d requires that: "where an accumulation of indirect costs will ultimately result in a charge to a federal award, a cost allocation plan will be required."

Condition – CFSA did not include the proper amount of intra-district and central services costs, as incurred in the first quarter, in its cost allocation pool. Intra-district costs of $2,161,682 and central services costs of $689,570 were excluded and this resulted in an understatement of indirect costs claimed for the period.

Context – This is a condition identified per review of CFSA's compliance with specified requirements.

Effect – The exclusion of the intra-district and central services costs resulted in an understatement of the required match for the quarter and reflected incorrect amounts to the Federal government for the first quarter. Reimbursable amounts were understated for the quarter.

Cause – CFSA's revenue maximization unit inadvertently excluded the intra-district and central services costs for the quarter.

Recommendation – We recommend CFSA have more than one individual review its agency pooled cost allocations to ensure that the allocations are accurate. We also recommend CFSA revised its future cost allocations for the understatement identified above.

Views of Responsible Officials and Planned Corrective Actions – The Agency concurs with the finding. In an effort to ensure that the cost allocation pool includes all appropriate costs, including those associated with the intra-district and central services costs and to subsequently prevent the understatement of indirect costs claimed for any given period, the Agency has implemented a corrective action plan which involves the complete re-write of the Agency cost allocation plan to ensure that appropriate costs are correctly captured and appropriately allocated. In addition, the Agency has discussed and will soon implement quality assurance review measures which will involve more than one individual reviewing Agency pooled cost allocations, and ensure that the allocations are accurate. Lastly, it should be noted, that the Agency will re-file the first quarter claim with all costs properly included and allocated for the quarter no later than Friday, June 25, 2010.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-45	U.S. Department of Health and Human Services Foster Care - Title IV-E and ARRA - Foster Care - Title IV-E CFDA Number: 93.658 Grant Award Number: 0901DC1401 Grant Award Period: 10/01/08-09/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA Agreement identifies 2 funding techniques for the Foster Care – Title IV-E program for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 6 out of the 26 drawdowns made during FY 2009 totaling $8,642,147 and noted that all of the 6 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

Context – This is a condition identified per review of CFSA's compliance with the provisions of the CMIA agreement.

Effect – CFSA 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 – CFSA 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 CFSA 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 –The Agency Fiscal Officer and the CFSA Accounting staff will develop the timeframes and supporting documents necessary to demonstrate compliance with the required CMIA funding techniques.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-46	U.S. Department of Health and Human Services Adoption Assistance and ARRA - Adoption Assistance CFDA Number: 93.659 Grant Award Number: 0901DC1403, 0901DC1407 Grant Award Period: 10/01/08-09/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA Agreement identifies 2 funding techniques for the Adoption Assistance program for the drawdown of funds:

- Benefit payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 6 out of the 26 drawdowns made during FY 2009 totaling $4,563,525 and noted that all of the 6 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

Context – This is a condition identified per review of CFSA's compliance with the provisions of the CMIA agreement.

Effect – CFSA 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 – CFSA 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 CFSA 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 – The Agency Fiscal Officer and the CFSA Accounting staff will develop the timeframes and supporting documents necessary to demonstrate compliance with the required CMIA funding techniques.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-47	U.S. Department of Health and Human Services Foster Care - Title IV-E and ARRA - Foster Care - Title IV-E CFDA Number: 93.658 Grant Award: 0901DC1401 Grant Award Period: 10/01/08-09/30/09	Eligibility	Not Determinable

Criteria or Specific Requirement – Foster Care benefits may be paid on behalf of a child if the following requirements are met:

- A child's removal from the home must be the result of a judicial determination to the effect that continuation in the home would be contrary to the child's welfare, or that placement in foster care would be in the best interest of the child (unless removal is pursuant to a voluntary placement agreement).
- For a child who entered foster care before March 27, 2000, the judicial determination of reasonable efforts to finalize the permanency plan must be made no later than March 27, 2001, because such child will have been in care for 12 months or longer (January 25, 2000, Federal Register, Vol. 65, Num 16, pages 4020 and 4088).
- The provider, whether a foster family home or a child-care institution, must be fully licensed by the proper State Foster Care licensing authority.
- The foster family home provider must satisfactorily have met a criminal records check, including a fingerprint-based check, with respect to prospective foster and adoptive parents (42 USC 671(a)(20)(A)).
- The foster family home provider must satisfactorily have met a child abuse and neglect registry check with respect to prospective foster and adoptive parents and any other adult living in the home who has resided in the provider home in the preceding 5 years.
- 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 – During our testing of a sample of 39 eligibility case files, we identified the following instances of noncompliance:

- 7 claims did not provide evidence of a valid foster care provider license for the period of service tested.
- 8 claims did not provide evidence of a criminal background check for the period of service tested.
- 7 claims did not provide evidence of a child abuse and neglect check for the period of service tested.
- 2 instances in which there was no documentation evidencing whether there were safety considerations with respect to staff of the institution.
- 1 instance in which the eligibility documentation was not provided.

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 and participants could be receiving benefits that they are not entitled to receive under the program.

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 program personnel appears deficient.

Recommendation – We recommend that CFSA improve internal control procedures to ensure that documentation is maintained to support eligibility decisions and that files are properly secured.

Views of Responsible Officials and Planned Corrective Actions – The Agency concurs with the first 3 items. The Congregate Care Division was in the process of reform and records inadvertently were not provided for review during the period of the audit. CFSA will ensure that all monitoring records are available and readily accessible for review as needed.

The Agency partially concurs with the fourth item. The CFSA Collaborative Liaison Office will address the problem by having a point person to maintain a database of all of the licenses of daycare providers attended by children in foster care. However, because these are day care providers and not foster care providers, the federal requirements regarding safety considerations are not applicable.

The Agency concurs with the fifth item. CFSA continues to strengthen its internal records management controls to ensure accurate record storage and confidentiality. The Agency is in the process of redesigning the storage and management of eligibility files to enhance document tracking and accessibility by Eligibility Technicians.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-48	U.S. Department of Health and Human Services Adoption Assistance and ARRA - Adoption Assistance CFDA Number: 93.659 Grant Award Number: 0901DC1403, 0901DC1407 Grant Award Period: 10/01/08-09/30/09	Eligibility	Not Determinable

Criteria or Specific Requirement – Adoption Assistance benefits may be paid on behalf of a child if the following requirements are met:

- The Child is eligible, or would have been eligible, for the former aid to families with Dependent Children program except for his/her removal from the home of a relative pursuant to either a voluntary placement agreement or as a result of a judicial determination to the effect that continuation in the home of removal would have been contrary to the welfare of the child (42 USC 673 (c)).
- There was reasonable efforts to place the child for adoption without a subsidy (42 USC 673 (c)).
- The agreement for the subsidy was signed and in effect before the final decree of adoption and contains information concerning the nature of services; the amount and duration of the subsidy; the child's eligibility for the Title XX services and Title XIX Medicaid; and covers the child should he/she move out of State with the adoptive family (42 USC 675 (3)).

Condition – During our testing of a sample of 38 eligibility case files, we identified 25 instances in which a program eligibility checklist was not provided to validate completion.

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 and participants could be receiving benefits that they are not entitled to receive under program.

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 program personnel appears deficient.

Recommendation – We recommend that CFSA improve internal control procedures to ensure that documentation is maintained to support eligibility decisions and that files are properly secured.

Views of Responsible Officials and Planned Corrective Actions – While the Agency concurs that the program eligibility checklist was not part of all the files examined, the Agency did implement a process in June, 2007 requiring the checklist in each file; therefore, records prior to that date will not have checklists. Going forward from that date, all adoption files will have this program eligibility checklist.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-49	U.S. Department of Health and Human Services Foster Care - Title IV-E and ARRA - Foster Care - Title IV-E CFDA Number: 93.658 Grant Award: 0901DC1401 Grant Period: 10/01/08-09/30/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – We sampled 74 procurement files for the Foster Care program and identified the following:

- 5 purchase requisitions were not available for review which includes 1 item for an option year.
- There was no evidence of CFSA verifying whether 29 vendors involved in procurement transactions had been debarred or suspended from providing services where federal funds were utilized. In addition, there was no evidence that these vendors were vetted against the District's excluded parties list.
- 22 contracts had no evidence of a cost or price analysis.
- 23 instances had no City Council approval.
- 7 contracts had no evidence that the purchase requisitions were authorized by the contracting officer and in 5 of these instances the modified contract letters did not reflect the modified contract amount.
- 4 contracts had no evidence that the purchase requisitions were approved by the procurement officer.
- 2 contracts did not include evidence of a determination and findings for price reasonableness, contractor responsibility, and for award of a contract on a sole source basis.
- 2 contracts did not include approval by the procurement officer of the determination and findings for price reasonableness, contractor responsibility, and for award of the contract on a sole source basis.
- 1 contract did not provide evidence of a determination and findings for contractor responsibility, price reasonableness, and exercise of option for the period January 1, 2009 to September 30, 2009.
- 25 contracts had no evidence of suspension or debarment verification against the Federal list.
- 1 contract did not provide evidence of approval by the contracting officer on the determination and findings for price reasonableness for the period March 9, 2009 to April 8, 2009. In addition, CFSA obtained services without a valid contract in place during the period January 1, 2009 to January 7, 2009.
- 2 contract files were not provided for review.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. We reviewed 74 procurement files totaling $36,277,243.

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 – Inadequate quality assurance reviews are being performed of the procurement files, particularly for purchases less than $100,000.

Recommendation – We recommend that CFSA improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that CFSA review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Action – The following responses were provided with respect to the conditions noted above:

Condition #1 through 4: The Agency concurs with the findings. Under the leadership of the new CFSA Contracts Administrator, internal protocols and procedures have been or are being implemented and documented to strengthen internal management and controls.

Condition #5: The Agency partially concurs. As indicated above, an automated system for entering funding is now fully operational. The modified letter contract clearly states, "The minimum amount is $100.00. The not-to-exceed amount of this emergency contract is as stated in the letter contract." Paragraph 4 of the Letter contract states in part, "… in an amount not to exceed one hundred sixty one thousand, six hundred four dollars ($161,604.00)." The amount stated differs per the contract.

Condition #6 through 11: The Agency concurs with the findings. Under the leadership of the new CFSA Contracts Administrator, internal protocols and procedures have been or are being implemented and documented to strengthen internal management and controls.

Condition #12: The Agency concurs with this finding. In May 2009, an inventory of the files was conducted. This inventory did not produce the file in question. Approximately in August of 2009, a new filing system has been installed to ensure the office is able to maintain all contract case files in a central location.

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District Agency – Child and Family Services Agency (CFSA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-50	U.S. Department of Health and Human Services Foster Care - Title IV-E and ARRA - Foster Care - Title IV-E CFDA Number: 93.658 Grant Award: 0901DC1401 Grant Period: 10/1/08-09/30/09	Subrecipient Monitoring	Not Determinable

Criteria or specific requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Compliance with these requirements is required to be documented and files are required to be retained in accordance with OMB Circular A-102.

Condition – Our review of CFSA's monitoring of 4 private placement agencies revealed the following:

- None of the 4 sample items included federal award identification information to the private placement agencies.
- There was no evidence of CFSA performing the required pass-through entity impact on deficiencies identified in a site visit of 1 private placement agency.
- 1 sample item had no evidence that semi-annual evaluations were being performed by the monitoring unit.
- There was no evidence that CFSA identified ARRA awards and applicable requirements to its subrecipients and separately identified to each subrecipient, and documented at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds.
- There was no evidence that CFSA communicated to subrecipients the requirement to register in the Central Contractor Registration (CCR), obtain a DUNS number, and maintain the currency of that information. Also, there was no evidence that CFSA determined that subrecipients have current CCR registrations prior to making subawards and performed periodic checks to ensure that subrecipients are updating information, as necessary.

Context – This is a condition identified per review of CFSA's compliance with specified requirements. CFSA awarded contracts to 20 private placement agencies in FY 2009 to perform oversight of certain foster care program criteria.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – CFSA management was not aware of the requirement to include the federal award information in the private placement agency contracts. In addition, CFSA management is not adequately reviewing the monitoring files to ensure that all private placement agencies are monitored and that deficiencies identified during monitoring are properly remediated.

Recommendation – We recommend CFSA prospectively include the Foster Care federal award information in all private placement agency contracts. In addition, we recommend CFSA perform more periodic reviews of staff monitoring files to ensure that the private placement agencies are properly monitored and deficiencies noted in the monitoring visits are properly remediated.

Views of Responsible Officials and Planned Corrective Actions – The following responses were provided with respect to the conditions noted above:

Condition #1 through 4: The Agency concurs with the findings. CFSA utilizes a Record Keeping Guideline to organize and maintain files for its Child Placement Agency monitoring files. These files are maintained by Program Monitors and are reviewed by the supervisory program monitors and program manager on a periodic basis. CFSA is conducting a full review of its monitoring program and will update the Record Keeping Guide to incorporate all required documents, including for requirements under the ARRA. CFSA will include an updated QA process to include routine supervisory reviews of monitoring files and activities to ensure that private placement agencies are properly monitored, deficiencies are noted, and there is proper follow up.

Condition #5: The Agency concurs with the finding. Under the leadership of the new CFSA Contracts Administrator, internal protocols and procedures have been or are being implemented and documented to strengthen internal management and controls. The Administrator has received the requirements related to ARRA funding and will develop monitoring controls to ensure adherence with the requirements from this finding.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-51	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2008G996115, 2009G996115 Grant Award Period: 10/1/07-9/30/08, 10/1/08-9/30/09	Allowable Costs: Indirect Cost Activities	Not Determinable

Criteria or Specific Requirement – Under OMB Circular A-87, costs must be allocable to Federal awards under the provisions of 2 CFR Part 225 in order to be allowable under federal awards.

Allocable Costs:

a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
b. All activities which benefit from the governmental unit's indirect costs, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.
c. Any cost allocable to a particular federal award or cost objective under the principles provided for in 2 CFR Part 225 may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons.
d. Where an accumulation of indirect costs will ultimately result in charges to a federal award, a cost allocation plan will be required.

Condition – Income Maintenance Administration (IMA) is responsible for the administration of the TANF program and other federal programs. DHS has a cost allocation plan that outlines the methodology for allocating IMA costs to the TANF program. The cost allocation plan requires that IMA's Office of Administrator and Four Division Unit costs be allocated to the lower tier departments based on the salaries, wages, and benefits of the departments. Once the Office of Administrator and the divisional costs are allocated to the lower departments, the plan requires that the departmental direct and allocated costs be allocated to the TANF program either at 100% or based on a time study or call volume results.

DHS calculates TANF's allocable administrative costs on a quarterly basis. Based on our review of two quarterly allocations, we determined that the IMA administrative cost pool that was allocated to the TANF program was not in accordance with IMA's cost allocation plan.

- DHS does not allocate the Office of Administrator and the Four Division Units costs to the various lower departments within each division based on their total salaries, wages, and benefits. DHS sums all of the IMA indirect costs and then allocates the costs to the different federal programs. None of the federal direct program costs are allocated any of its shares of the Office of Administrator and Division Unit costs.

- The IMA costs allocated to the TANF program are not based on a quarterly time study results or call volume results. The IMA costs allocated to the program are based on the remaining IMA administration costs after the Medicaid and Food Stamp programs have been allocated its share of the costs. Based on the IMA's Agency Management Program time study results for the first and fourth quarter for FY 2009, TANF should have been allocated 9.68% and 8.50%, respectively of the allocable IMA administrative costs; however, it was allocated 13.82% and 15.96% of the costs.

Context – This is a condition identified per review of DHS' compliance with specified requirements. The total amount of DHS administrative costs allocated to the TANF federal program in FY 2009 were $7,573,045.

Effect – The administrative costs allocated to the TANF program may be overstated.

Cause – Per DHS management, the cost allocation plan for IMA is required for the allocation of administrative costs to the Food Stamp and Medicaid programs. Any residual costs can be allocated to TANF, as long as they do not exceed 15% of the grant award.

Recommendation – We recommend DHS allocate its agency's administrative costs to the TANF program based on the methodology approved in the cost allocation plan.

Views of Responsible Officials and Planned Corrective Actions – DHS recognizes the need to review and strengthen our procedures relative to the allocation of costs for the TANF program. In FY 2010, we have allocated the Agency's administrative costs to the TANF program based on the methodology approved in the cost allocation plan.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-52	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2008G996115, 2009G996115 Grant Award Period: 10/1/07-9/30/08, 10/1/08-9/30/09	Allowable Costs: Nonpayroll Activities	$526,072

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, cost must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Condition – During our review of expenditures charged to the TANF grant, we identified a number of instances where the expenditures were not in compliance with OMB Circular A-87 cost principles.

- DHS was unable to provide adequate supporting documentation for 1 out of 83 nonpayroll items selected for testing and consequently, we were not able to determine if the related costs were allowable under the grant. This item amounted to $8,477.
- We also noted that 3 out of 83 nonpayroll items selected for testing pertained to accrual of expenditures that was based on internally generated purchase orders instead of open or unpaid invoices. These items amounted to $517,595.

Context – This is a condition identified per review of DHS' compliance with specified requirements. We reviewed 83 nonpayroll expenditures totaling $71,789,143. Total nonpayroll expenditures charged to the program in FY 2009 were $86,698,148.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenditures as federal expenditures.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention.

Recommendation – DHS should review its controls to ensure that adequate supporting documentation is maintained for all expenditures incurred with federal awards. The supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – DHS agrees that one transaction in the amount of $8,477 was unsupported from an intra-District billing with the Office of the State Superintendent of Education for TANF. DHS plans to reimburse District agencies based on expenditures and proper documentation rather than advance funds for goods and services for the TANF program. This will improve processes and procedures to ensure that proper documentation is maintained and safeguarded relating to expenditures for the TANF program.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-53	U.S. Department of Health and Human Services Supplemental Nutrition Assistance Program Cluster and ARRA - Supplemental Nutrition Assistance Program CFDA Number: 10.551, 10.561 Grant Award Number: 1DC400402, 1DC4400002 Grant Award Period: 10/1/08-9/30/09, 3/1/09-9/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for this program for the drawdown of funds:

- Benefit payments require the use of the actual clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Administrative costs require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 6 out of the 29 drawdowns made during FY 2009 totaling $2,519,692 and noted that the 6 drawdowns sampled were not in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT9CS205, DT9CS210, DT9CS230, DT9CS261, DT9DJ009, and DT9DJ020 were made later than required by the CMIA agreement.

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. 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 – DHS does not follow the CMIA agreement because it would require the Agency to request reimbursement on a bi-weekly basis instead of on a weekly basis.

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 – DHS draws cash for payroll in accordance with the 0 days clearance pattern and nonpayroll within the 7 days clearance pattern on a weekly basis. The drawdown amounts are based on actual cash expenditures recorded in SOAR, the District's accounting system of record. Consideration should be given to amend the CMIA agreement since cash expenditures are readily available in SOAR.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-54	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2008G996115, 2009G996115 Grant Award Period: 10/1/07-9/30/08, 10/1/08-9/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the TANF grant for the drawdown of funds:

- Benefit payments require the use of the actual clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Administrative costs require the use of the fixed administrative allowance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 8 out of the 35 drawdowns made during FY 2009 totaling $24,590,972 and noted that the 8 drawdowns sampled were not in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT9CS232, DT9CS244, DT9CS260, DT9DJ028, DT9DJ034, DT9DJ048, DT9DJ061, and DT9DJ074 were made later than required by the CMIA agreement.

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. 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 – DHS does not follow the CMIA agreement because it would require the Agency to request reimbursement on a bi-weekly basis instead of on a weekly basis.

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 – DHS draws cash for payroll in accordance with the 0 days clearance pattern and nonpayroll within the 7 days clearance pattern on a weekly basis. The drawdown amounts are based on actual cash expenditures recorded in SOAR, the District's accounting system of record. Consideration should be given to amend the CMIA agreement since cash expenditures are readily available in SOAR.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-55	U.S. Department of Health and Human Services Community Services Block Grant and ARRA - Community Services Block Grant CFDA Number: 93.569 Grant Award Number: 2009G994002 Grant Award Period: 10/1/08-9/30/09	Cash Management: Funding Technique	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Community Services Block Grant for the drawdown of funds:

- Program payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Administrative costs require the use of the fixed administrative allowance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 6 out of the 24 drawdowns made during FY 2009 totaling $7,055,255 and noted that the 6 drawdowns sampled were not in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DR10CS03, DT9CS207, DT9CS235, DT9DJ004, DT9DJ077, and DT9DJ095 were made later than required by the CMIA agreement.

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. 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 – DHS does not follow the CMIA agreement because it would require the Agency to request reimbursement on a bi-weekly basis instead of on a weekly basis.

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 – DHS draws cash for payroll in accordance with the 0 days clearance pattern and nonpayroll within the 7 days clearance pattern on a weekly basis. The drawdown amounts are based on actual cash expenditures recorded in SOAR, the District's accounting system of record. Consideration should be given to amend the CMIA agreement since cash expenditures are readily available in SOAR.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-56	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2008G996115, 2009G996115 Grant Award Period: 10/1/07-9/30/08, 10/1/08-9/30/09	Eligibility	Not Determinable

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement, a State may not use funds to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in federal or State court of having made a fraudulent statement or representation with respect to place of residence in order to simultaneously receive assistance from two or more States under TANF, Title XIX, or the Food Stamp Act of 1977, or benefits in two or more States under the Supplemental Security Income program under Title XVI of the Social Security Act.

A State may not provide assistance to any individual who is fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or attempt to commit a felony (or in the State of New Jersey, a high misdemeanor), or who is violating a condition of probation or parole imposed under Federal or State law (42 USC 608(a)(9)(A)).

Condition – There was no evidence noted in the 45 participant cases reviewed that DHS was documenting that participants were not fleeing from prosecution or convictions for felonies.

Context – This is a condition identified per review of DHS' compliance with specified requirements.

Effect – Lack of supporting documentation for program services and noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – DHS does not have adequate internal controls to ensure that TANF benefits are paid only to eligible participants.

Recommendation – We recommend that DHS should perform periodic reviews of the data in its participant files to ensure that the data is accurate and complete. We also recommend DHS establish procedures that require participants to certify in writing that they are not fleeing from prosecution or convictions for felonies.

Views of Responsible Officials and Planned Corrective Actions – The goal of requiring each individual applying for TANF to certify/verify that he/she or any member in their household are not fleeing felons or found guilty of a felony, was not obtained in FY 2009. However, in FY 2010, a question is being included in the revised benefit application form in order to obtain this information from individuals applying for TANF benefits.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-57	U.S. Department of Health and Human Services Supplemental Nutrition Assistance Program Cluster and ARRA - Supplemental Nutrition Assistance Program CFDA Number: 10.551, 10.561 Grant Award Number: 1DC400402, 1DC4400002 Grant Award Period: 10/1/08-9/30/09, 3/1/09-9/30/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate with these requirements.

Condition – In our review of 4 procurement files, DHS and the Office of Contracting and Procurement (OCP) were unable to provide 1 procurement file for our review. The total amount of the purchase order for the procurement file that was not provided was $20,000.

Context – This is a condition identified per review of DHS' compliance with specified requirements. We reviewed 4 procurements files totaling $234,552.

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 – DHS relies on OCP to ensure procurement requirements are met, as well as for the maintenance of appropriate supporting documentation. As such, DHS did not adhere to the required policies and procedures to ensure that it complied with the appropriate documentation requirements under OMB Circulars A-133 and A-102 for procurement, suspension, and debarment.

Recommendation – We recommend that DHS and OCP improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that OCP review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – During the fourth quarter of FY 2009, OCP took action, for its small procurement transactions (less than $100,000), to begin retaining documentation electronically in the Procurement Automated Support System (PASS). Additionally, to ensure that OCP's large procurement transactions (greater than or equal to $100,000) are properly documented and supporting evidence retained, in December 2009, OCP awarded the contract for the implementation of the ARIBA Contract Compliance (ACC) module, which will serve as a centralized repository of all District contract information.

As of January 2010, OCP, the Office of the Chief Technology Officer (OCTO), and the vendor initiated the implementation kick-off. Throughout FY 2010 and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) defining the user requirements; (2) customizing & developing the system; (3) conducting user testing; and (4) implementation (which includes both a communication and training plan for users). Equally critical to the successful implementation of the ACC module and full remediation of this finding will be the migration of the current and active contracts from OCP and the independent agencies into PASS.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-58	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2008G996115, 2009G996115 Grant Award Period: 10/1/07-9/30/08, 10/1/08-9/30/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate with these requirements.

Condition – In our review of 9 procurement files related to the TANF grant, we identified the following:

- DHS and the Office of Contracting and Procurement (OCP) were unable to provide documentation that 3 quotes were obtained for 1 procurement file.
- DHS and OCP were unable provide documentation on the selection of the vendor from the 3 quotes obtained, as well as a cost-price analysis for 1 procurement file.
- We also reviewed 8 sub-grantee files and noted that DHS and OCP were unable to provide evidence of verifying whether 7 out of 8 sub-grantees had been debarred or suspended from providing services where federal funds were utilized.

Context – This is a condition identified per review of DHS' compliance with specified requirements. We reviewed 9 vendor procurements totaling $5,444,343 and 8 sub-grantee files totaling $1,634,944.

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 – DHS relies on OCP to ensure procurement requirements are met, as well as for the maintenance of appropriate supporting documentation. As such, DHS did not adhere to the required policies and procedures to ensure that it complied with the appropriate documentation requirements under OMB Circulars A-133 and A-102 for procurement, suspension, and debarment.

Recommendation – We recommend that DHS and OCP improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that OCP review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – The following responses were provided by the respective agencies:

OCP Response: During the fourth quarter of FY 2009, OCP took action, for its small procurement transactions (less than $100,000), to begin retaining documentation electronically in the Procurement Automated Support System (PASS). Additionally, to ensure that OCP's large procurement transactions (greater than or equal to $100,000) are properly documented and supporting evidence retained, in December 2009, OCP awarded the contract for the implementation of the ARIBA Contract Compliance (ACC) module, which will serve as a centralized repository of all District contract information.

As of January 2010, OCP, the Office of the Chief Technology Officer (OCTO), and the vendor initiated the implementation kick-off. Throughout FY 2010 and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) defining the user requirements; (2) customizing & developing the system; (3) conducting user testing; and (4) implementation (which includes both a communication and training plan for users). Equally critical to the successful implementation of the ACC module and full remediation of this finding will be the migration of the current and active contracts from OCP and the independent agencies into PASS.

DHS Response: As a result of an agency Reduction in Force and the abolishment of the agency Grants Management Officer position, the functions of that position, inclusive of verifying whether vendors had been debarred or suspended, had not been fully reassigned to or carried out by other agency personnel in FY 2009.

However, DHS now adheres to the federal OMB guidance on nonprocurement disbarment and suspension, as outlined in the Federal Register - 2CFR Part 180 and in October 2009 (FY 2010), began researching and verifying possible suspension/debarment of subrecipients/grantees, using the District and Federal disqualification databases, and recording findings on a Disbarment Issues form. Documentation is maintained in the procurement files, which are to be retained for at least a three year period.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-59	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2008G996115, 2009G996115 Grant Award Period: 10/1/07-9/30/08, 10/1/08-9/30/09	Reporting	Not Determinable

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement, each State must file the annual ACF-204 report which should contain information on the TANF program and the State's maintenance of effort (MOE) programs for that year, including strategies to implement the Family Violence Option, State diversion programs, and other program characteristics. States may submit this report as a freestanding report or as an addendum to the fourth quarter TANF Data Report.

In addition, the Compliance Supplement requires that all the reports submitted must be supported by the underlying performance records and presented in accordance with program requirements.

Condition – DHS' Income Maintenance Administration (IMA) is responsible for preparing the annual ACF-204 report. Per our review, IMA was unable to provide adequate documentation supporting the information reported in the annual ACF-204 report.

Context – This is a condition identified per review of DHS' compliance with specified requirements.

Effect – Inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures, were not functioning as intended. IMA did not have adequate control over the maintenance of the underlying documentation used in preparing the ACF-204 report.

Recommendation – We recommend that IMA review its current records retention policy to ensure that complete documentation is maintained to support the information reported in the annual ACF-204 report.

Views of Responsible Officials and Planned Corrective Actions – As a result of the American Recovery and Reinvestment Act (ARRA) changes were made to the reporting timelines for the ACF-196, from December 31 to November 15. The ACF-196 and the ACF-204 is required to match. However, the financial report was due 45 days earlier than the ACF-204 annual report; specifically, the ACF 204 was not due until December 31. The District was still in the throws of gathering and calculating MOE for purposes of the Emergency Fund submission at the time of the financial report submission. Therefore, the amount of MOE, the amount of cash expended, and the number of customers served did not coincide with the ACF-196 financial report.

DHS Office of the Chief Financial Officer notified Administration of Children and Families (ACF) on December 23, 2009 and inquired whether a revised ACF-196 report could be filed. In addition, IMA alerted the ACF Regional TANF Program Specialist and Regional Manager. ACF informed DHS that the changes to the ACF-196 could be made the next quarter. To address this, IMA amended the ACF-196 both before the end of the calendar year, as well as in the first quarter FY 2010 submission to complement the ACF-204. With the focus on identifying the correct monetary amount, some of the numbers served were conservative estimates, as the respective sister agencies were still analyzing their numbers. Because of this, we are collecting the final counts of the numbers served for FY 2009 to include in a resubmission of the ACF-204 for accuracy purposes.

In the future, DHS/IMA will attempt to reconcile the data to coordinate a simultaneous submission of the ACF-196 and ACF-204 reports; refine the retrieval, vetting and inclusion of data from outside sister agencies, ensuring thoroughness and accuracy of the combined data; and file and retain program records for the required retention period.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-60	U.S. Department of Health and Human Services	Subrecipient Monitoring	Not Determinable

Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Grant Award Number: 2008G996115, 2009G996115
Grant Award Period: 10/1/07-9/30/08, 10/1/08-9/30/09

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; (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 maintained and retained in accordance with OMB Circular A-102.

Condition – DHS' Income Maintenance Administration (IMA) did not formally document whether or not its subrecipients required an OMB Circular A-133 audit nor did it obtain a copy of the audit and the status of findings or corrective action plans, in all cases.

Context – This is a condition identified per review of DHS' compliance with specified requirements. The total number of subrecipients reviewed in FY 2009 was 8.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – There was no formal requirement for each subrecipient to have an OMB Circular A-133 audit (if required) and that a copy be provided to DHS. In addition, staff did not ask for this report and ensure that it was properly filed by the subrecipients.

Recommendation – We recommend that DHS include a specific requirement in its subrecipient agreements informing the subrecipient of the requirement to have an OMB Circular A-133 audit if they expend more than $500,000 in federal funds. In addition, it should require that the subrecipients provide DHS with a copy of its OMB Circular A-133 audit and any corrective action plans for findings noted. DHS should maintain a list of subrecipients with the applicability of the OMB Circular A-133 requirement and for those required to provide an audit, the date of the receipt of the audit report, a list of findings, and a status on the corrective action on all audit findings.

Views of Responsible Officials and Planned Corrective Actions – DHS will revise its Memorandum of Understanding/Agreements to require sub-grantees that receive in excess of $500,000 to provide DHS notice of any A-133 audit findings and quarterly progress reports on any corrective actions.

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District Agency – Department of Human Services (DHS)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-61	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) CFDA Number: 93.558 Grant Award Number: 2008G996115, 2009G996115 Grant Award Period: 10/1/07-9/30/08, 10/1/08-9/30/09	Special Tests and Provisions: Child Support Non-Cooperation	Not Determinable

Criteria or Specific Requirement – If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must:

> (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. DHHS may penalize a State for up to five percent of the State Family Assistance Grant for failure to substantially comply with this required State child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR sections 264.30 and 264.31).

Condition – From a review of 45 TANF participants who were not cooperating in establishing or enforcing a child support order, we noted that 1 participant's assistance benefit had a reduction of less than the required minimum of 25 percent.

Context – This is a condition identified per review of DHS' compliance with specified requirements.

Effect – There may be TANF participants whose assistance was not properly reduced or terminated.

Cause – DHS' Income Maintenance Administration (IMA) is not performing periodic reviews of the data in its participant files.

Recommendation – We recommend that DHS/IMA perform periodic reviews of the data in its participant files to ensure compliance with the requirements. In addition, supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – The one case in question was sanctioned by the agency and the benefit amount reduced, but not by the full 25%, due to a calculation error. In response to the recommendation to perform periodic reviews of data in the files to ensure compliance with requirements, Social Service Representatives review information in the participant's record at times of application and recertification for benefits.

In addition, IMA management staff will randomly review cases for appropriate processing. These findings will be discussed with all staff during a unit session to ensure accurate case actions and calculations are applied.

Further, to ensure that documentation is properly maintained, safeguarded, and available for review, IMA has created a Case Record Management Unit (CRMU) in each Service Center to improve the maintenance and safeguarding of documents. The CRMU is staffed with management team members and support staff members responsible for ensuring that case documents are included in the case record; that the case record and all supporting documentation are accessible for reviews, etc. In addition, IMA will soon be utilizing a document imaging system that is expected to improve IMA's ability to maintain and safeguard documents.

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District Agency – Department of Employment Services (DOES)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-62	U.S. Department of Labor Unemployment Insurance and ARRA - Unemployment Insurance CFDA Number: 17.225 Grant Award Number: UI 15791-07-55, UI 16739-08-55-A-11, UI 18013-09-55-A-11 Grant Award Period: 10/1/06-12/31/09, 10/1/07-12/31/10, 10/1/08-12/31/11	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 Unemployment Insurance program for the drawdown of funds:

- Program payments require the use of the modified average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement

Condition – DOES does not make drawdowns on a biweekly basis and as such, appears to be in violation of the proper funding technique and the clearance pattern specified by the CMIA Agreement.

Context – This is a condition identified per review of DOES' compliance with specified requirements.

Effect – DOES 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 – DOES does not have a mechanism in place to ensure drawdown requests are being made on a timely basis, and in accordance with the specifications of the CMIA Agreement.

Recommendation – We recommend DOES comply with the provisions of the CMIA agreement and request federal funds consistent with the required funding technique and its actual cash needs. In addition, DOES should properly monitor drawdown requests and implement a review process to ensure the requests are being made on a biweekly basis.

Views of Responsible Officials and Planned Corrective Actions – Management believes that due to employees work load, there have been a few instances where the cash drawdown requests were submitted late by one or two days, thus not fully complying with the clearance pattern specified in the CMIA agreement. However, in 2009, DOES made significant improvement on this area as compared to 2008. Management will continue to implement procedures that will ensure DOES compliance with the clearance pattern specified in the CMIA agreement.

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District Agency – Department of Employment Services (DOES)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-63	U.S. Department of Labor	Eligibility	$41,956
	Unemployment Insurance and ARRA - Unemployment Insurance CFDA Number: 17.225 Grant Award Number: UI 15791-07-55, UI 16739-08-55-A-11, UI 18013-09-55-A-11 Grant Award Period: 10/1/06-12/31/09, 10/1/07-12/31/10, 10/1/08-12/31/11		

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement, to qualify for benefits, a claimant must have earned a certain amount of wages, or have worked a certain number of weeks or calendar quarters within the base period, or meet some combination of wage and employment requirements. To be eligible to receive unemployment compensation (UC), all States provide that a claimant must have been involuntarily separated from suitable work.

Additionally, benefits per the Federal Additional Compensation (FAC) program as authorized under the American Recovery and Reinvestment Act (ARRA), are payable to individuals who are otherwise entitled under State or Federal law to receive regular UC for weeks of unemployment.

Condition – DOES' Benefit Payment Control Branch (BPC) performs a quarterly unemployment insurance audit that is specifically designed to uncover discrepancies such as, suspected improper payments to ineligible claimants. These audits are performed via a series of cross matches which involves a computer search and a comparison of DOES benefit payment records to wage records as reported by various employers.

During these cross matches and audits, DOES discovered that a number of claimants may have been employed while submitting unemployment claims and accordingly, were collecting and receiving unemployment benefits.

Context – This is a condition identified per review of DOES' compliance with specified requirements. DOES conducted a 100% check over its FY 2009 claims and concluded that such ineligible expenditures amounted to $41,956.

Effect – Noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause – DOES does not appear to have a real-time process in place to identify improper claims before it incurs the related expenditure, requests reimbursement from the Federal government, and pays the claimant.

Recommendation – We recommend that DOES improve internal control procedures to ensure that the necessary verifications are performed in a timelier manner (i.e. before payment of claims) to minimize the amount of improper payments to ineligible claimants.

Views of Responsible Officials and Planned Corrective Actions – These "lapses" were a function of the quantity of work related to claim volumes driven by a weak economy. DOES is moving this year to an electronic solution which will significantly improve time and process in verifying claimants eligibility via linkage with the National Database of New Hires.

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District Agency – Department of Employment Services (DOES)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-64	U.S. Department of Labor Unemployment Insurance and ARRA - Unemployment Insurance CFDA Number: 17.225 Grant Award Number: UI 15791-07-55, UI 16739-08-55-A-11, UI 18013-09-55-A-11 Grant Award Period: 10/1/06-12/31/09, 10/1/07-12/31/10, 10/1/08-12/31/11	Reporting	Not Determinable

Criteria or Specific Requirement – Per the OMB Circular A-133 Compliance Supplement, DOES is required to submit various financial and programmatic reports to the U.S. Department of Labor with respect to unemployment insurance payments; these reports are due on a periodic (monthly/quarterly) basis.

This program received additional funding under the American Recovery and Reinvestment Act (ARRA) with respect to the Federal Additional Compensation (FAC) program. The Federal government modified the format of the already existing and required reports, as per the OMB Circular A-133 Compliance Supplement, to include the additional reporting metrics for FAC.

Condition – During our testing, we noted certain delays in the submission of the following reports which included information on the FAC program, authorized by ARRA:

- ETA UI 3 Report – the reports for the quarter ended December 31, 2008 and September 30, 2009 were submitted 9 days and 17 days past the due dates, respectively.
- ETA 227 Report – the report for the month ended June 30, 2009 was submitted 9 days past the due date.
- ETA 2112 Report – the report for the months ended January 31, 2009 and March 31, 2009 were submitted 2 and 32 days past their due dates, respectively.

Context – This is a condition identified per review of DOES' compliance with specified requirements which includes the FAC program, authorized by ARRA.

Effect – Failure to submit the required reports on a timely basis may result in suspension or termination of funding and disallowed costs.

Cause – It appears that policies and procedures, as related to the timely filing of reports required by the FAC program, as authorized by ARRA, were not functioning as intended.

Recommendation – DOES should enforce its policies and procedures to ensure that reporting of the FAC program, as authorized by ARRA, is conducted on a timely basis.

Views of Responsible Officials and Planned Corrective Actions – DOES concurs with this finding and the contributing reason was staff turnover. The UI Program has since then recruited new personnel and implemented procedures to ensure compliance going forward.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-65	U.S. Department of Homeland Security Disaster Grants - Public Assistance CFDA Number: 97.036 Grant Award Number: FEMA-3300-EM-DC	Allowable Costs: Nonpayroll Activities	$28,279

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Condition – During our review of expenditures charged to this grant, we identified 2 instances where HSEMA was unable to provide adequate supporting documentation for certain intra-district telecommunications and professional services costs that were charged to the grant.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements. The total amount of HSEMA's costs charged to the program in FY 2009 were $10,879,150. The amount of unsupported expenditures charged to the program were $28,279.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, a lack review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal awards.

Cause – HSEMA entered into intra-district transactions with various District agencies, which were unable to adequately support the amounts reported on the approved project work sheet.

Recommendation – HSEMA should review its controls to ensure that adequate supporting documentation is maintained for all expenditures incurred with federal awards. The supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – HSEMA will not reimburse any future intra-district request under its Public Assistance grant programs which are unsupported. Any unsubstantiated claims awarded to the applicant would have to be denied.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-66	U.S. Department of Homeland Security Homeland Security Grant Program CFDA Number: 97.067 Grant Award Number: 2006-GE-T-0037, 2007-GE-T7-0038, 2008-GE-T-0035 Grant Award Period: 07/01/06-06/30/09, 7/01/07-6/30/10, 9/01/08-8/31/11	Allowable Costs: Nonpayroll Activities	$177,381

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Condition – During our review of expenditures charged to this grant, we identified a number of instances where the expenditures were not in compliance with OMB Circular A-87 cost principles.

- HSEMA paid a sub-grantee for the same services twice in an amount totaling $6,308 and charged the current year grant $10,000 for services related to FY 2010.
- HSEMA was unable to provide adequate supporting documentation for services provided by various sub-grantees and other District agencies totaling $161,073.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements. The total nonpayroll expenditures charged to the program in FY 2009 by HSEMA were $53,534,670. We reviewed 56 nonpayroll expenditures totaling $16,295,098. The nonpayroll items in question amounted to $177,381.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, a lack review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal awards.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention.

Recommendation – HSEMA should review its controls to ensure that adequate supporting documentation is maintained for all expenditures incurred with federal awards. The supporting documentation should be properly maintained and safeguarded and be available for review. It is also recommended that all expenditures are reviewed for allowability and that they are properly approved.

Views of Responsible Officials and Planned Corrective Actions – HSEMA will continue to work with our Office of the Chief Financial Officer partners to regularly review SOAR, the District's accounting system of record, transactions for accuracy in order to ensure the soundness of the financial data. It should be noted that both transactions in this finding were identified and corrected during HSEMA review of SOAR transactions before the audit began.

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Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

No.	Program	Findings/Noncompliance	Questioned Costs
2009-67			

This finding # was not used.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-68	U.S. Department of Homeland Security	Period of Availability	$13,500
	Homeland Security Grant Program CFDA Number: 97.067 Grant Award Number: 2006-GE-T-0037, 2007-GE-T7-0038, 2008-GE-T-0035 Grant Award Period: 07/01/06-06/30/09, 7/01/07-6/30/10, 9/01/08-8/31/11		

Criteria or Specific Requirement – Per the U.S. Department of Homeland Security financial management guide, the award period is the period of time when Federal funding is available for obligation by the recipient. The recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Office of Grants and Training. The obligation period is the same as the award period listed on the award document. No additional obligations can be incurred after the end of the grant.

Recipients who have properly obligated funds by the end of the award period will have 90 days in which to liquidate (expend) these funds. Any funds not liquidated at the end of the 90-day period will lapse and may revert to the Office of Grants and Training, unless an adjustment extending the liquidation period has been approved.

Condition – HSEMA charged an amount of $13,500 to the 2006 Grant Award for services that fell outside of the grant's period of availability. The 2006 Grant Award expired during the District's FY 2009.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements.

Effect – HSEMA is not in compliance with the stated provisions and expenditures may not be considered allowable under the federal program.

Cause – HSEMA did not properly review the expenditures to ensure that they were charged in the appropriate grant award period.

Recommendation – We recommend HSEMA improve its review and approval process to ensure that expenditures are charged to the appropriate grant award period.

Views of Responsible Officials and Planned Corrective Actions – HSEMA has implemented a specific process to strengthen its internal controls in order to ensure that this finding does not recur. All grant funded procurements initiated by the HSEMA Operations Division are now reviewed and approved for funding availability by the Grants staff before the procurements are initiated.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-69	U.S. Department of Homeland Security Homeland Security Grant Program CFDA Number: 97.067 Grant Award Number: 2006-GE-T-0037, 2007-GE-T7-0038, 2008-GE-T-0035 Grant Award Period: 07/01/06-06/30/09, 7/01/07-6/30/10, 9/01/08-8/31/11	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition – HSEMA and the Office of Contracting and Procurement (OCP) were not able to provide evidence to support that 5 of the 16 procurement files sampled had been validated that the vendor was not suspended or debarred from providing services where federal funds were utilized.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements. We reviewed 16 procurement files totaling $4,178,194.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. HSEMA could have inadvertently contracted with a vendor that is suspended or debarred from doing business with the Federal government.

Cause – HSEMA relies on OCP to ensure procurement requirements are met, as well as for the maintenance of appropriate supporting documentation. As such, HSEMA did not adhere to the required policies and procedures to ensure that it complied with the appropriate documentation requirements under OMB Circulars A-133 and A-102 for procurement, suspension, and debarment.

Recommendation – We recommend that HSEMA and OCP improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that OCP review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – During the fourth quarter of FY 2009, OCP took action, for its small procurement transactions (less than $100,000), to begin retaining documentation electronically in the Procurement Automated Support System (PASS).

Additionally, to ensure that OCP's large procurement transactions (greater than or equal to $100,000) are properly documented and supporting evidence retained, in December 2009, OCP awarded the contract for the implementation of the ARIBA Contract Compliance (ACC) module, which will serve as a centralized repository of all District contract information.

As of January 2010, the OCP, Office of the Chief Technology Officer (OCTO), and the vendor initiated the implementation kick-off. Throughout FY 2010 and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) defining the user requirements; (2) customizing & developing the system; (3) conducting user testing; and (4) implementation (which includes both a communication and training plan for users). Equally critical to the successful implementation of the ACC module and full remediation of this finding will be the migration of the current and active contracts from OCP and the independent agencies into PASS.

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-70	U.S. Department of Homeland Security Homeland Security Grant Program CFDA Number: 97.067 Grant Award Number: 2006-GE-T-0037, 2007-GE-T7-0038, 2008-GE-T-0035 Grant Award Period: 07/01/06-06/30/09, 7/01/07-6/30/10, 9/01/08-8/31/11	Reporting	Not Determinable

Criteria or Specific Requirement – The Catalog of Federal Domestic Assistance requirements state that grantees are required to submit the Categorical Assistance Progress Reports (CAPR) and Biannual Strategy Implementation Reports (BSIR) within 30 days after the end of the reporting period which is semi-annually. The information submitted should be supported by information from the financial system.

Condition – We reviewed 3 of the BSIR reports for each of the grant award years 2006, 2007, and 2008 and we noted the following:

- On the BSIR report for the period ended December 31, 2008, HSEMA failed to report expenditures incurred on the 2008 grant award although the financial system reflected expenditures for that period.
- For the CAPR and BSIR reports, we noted that although HSEMA extracted data from the financial system in completing these reports, there was no evidence that the database had been reconciled to a SOAR (the District's accounting system of record) report for each of the periods tested and reported.

Context – This is a condition identified per review of HSEMA's compliance with specified requirements.

Effect – Inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures, were not functioning as intended.

Recommendation – We recommend that HSEMA review its current records retention policy to ensure that complete documentation is maintained to support the information reported in the CAPR and BSIR reports. Further, all reports should be reconciled to this underlying support.

Views of Responsible Officials and Planned Corrective Actions – Effective immediately, HSEMA will print out SOAR screen shots as back up documentation to ensure SOAR expenditures tie directly to the data reported in the Biannual Strategy Implementation Reports (BSIR).

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District Agency – Homeland Security and Emergency Management Agency (HSEMA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-71	U.S. Department of Homeland Security Homeland Security Grant Program CFDA Number: 97.067 Grant Award Number: 2006-GE-T-0037, 2007-GE-T7-0038, 2008-GE-T-0035 Grant Award Period: 07/01/06-06/30/09, 7/01/07-6/30/10, 9/01/08-8/31/11	Special Tests and Provisions: Supplement not Supplant	Not Determinable

Criteria or Specific Requirement – The special conditions under the grant award state that "the recipient agrees that federal funds under this award will be used to supplement not supplant state or local funds."

Condition – HSEMA remits approximately 70 percent of the grant award to its neighboring jurisdictions. During our audit procedures, we noted that the District did not have controls in place to monitor whether its subrecipients were adhering to the aforementioned special condition.

Context – This is a condition identified per review of HSEMA's compliance with special conditions specific to subgrantees.

Effect – HSEMA was not able to provide evidence that it was monitoring its subrecipients in attempting to meet this requirement. Therefore, no evidence exists to support HSEMA being in compliance.

Cause – Although the District has a clause in the subrecipient award documents that addresses supplement not supplanting, there was no evidence that actual monitoring was being performed by the project managers.

Recommendations – We recommend that HSEMA develop policies and procedures to ensure compliance of its subrecipients with the supplement not supplant requirement. We also recommend that supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – HSEMA does not concur with this finding and believes the current policies and procedures that are in place appropriately ensure compliance to the non-supplanting requirement. Currently, all subgrantees are required to agree to terms and conditions which specifically forbid supplanting.

As part of the program managers Standard Operating Procedure guide, program managers are directed to be cognizant of potential supplanting issues during their review of project progress reports and reimbursement requests. Furthermore, HSEMA reviews all subgrantees A-133 audits and there have been no findings related to supplanting in any audit.

Although HSEMA believes its current processes appropriately monitor for instances of subgrantee supplanting, we will also begin to use the process adopted for the entire District, for all subgrantees.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-72	U.S. Department of Education Special Education Cluster CFDA Number: 84.027, 84.173 Grant Award Number: H027A080010 Grant Award Period: 7/1/08-9/30/09	Allowable Costs: Payroll and Nonpayroll Activities	$188,632

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Condition – The following exceptions were noted during our testwork:

- OSSE was unable to provide adequate supporting documentation to support payroll expenditures for 1 out of 5 items selected for testing. The amount related to the unsupported expenditures was $214.
- OSSE was unable to provide adequate supporting documentation to support nonpayroll expenditures for 1 out of 15 items selected for testing. The amount related to the unsupported expenditures was $188,418.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. Total payroll and nonpayroll expenditures charged to the Special Education Cluster program by OSSE in FY 2009 were $1,234,236 and $15,617,256, respectively. We reviewed 5 payroll expenditures totaling $88,973. We reviewed 15 nonpayroll expenditures totaling $1,123,941.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention.

Recommendation – OSSE should review its controls to ensure that adequate supporting documentation is maintained for all expenditures incurred with federal awards. The supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – While supporting documentation was found, the detail was not sufficient to support allowability. As such, we concur with the finding.

On November 1, 2009, the Office of the Chief Financial Officer (OCFO) Management team changed. Under the new management structure, all documents are properly filed electronically on the OSSE shared drive. OSSE will work with the Local Educational Agencies (LEAs) to ensure proper documentation is maintained to support expenditures that have been charged to the grant.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-73	U.S. Department of Agriculture Child and Adult Care Food Program CFDA Number: 10.558 Grant Award Number: 1DC300302 Grant Award Period: 10/1/08-9/30/09	Cash Management	Not Determinable

Criteria or Specific Requirement – Pursuant to A-102 Common Rule and 31 Code of Federal Regulations (CFR) Part 205, a State must minimize the time between the drawdown of Federal funds from the Federal government and its disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual and immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. In addition, cash drawdown requests for federal funds must be supported and proper documentation maintained. It is also required that the amount of reimbursement request should be closely matched to the amount of the actual disbursement.

Condition – We reviewed 6 out of the 23 drawdowns made during FY 2009 totaling $2,070,578 and noted that 4 of the 6 drawdowns sampled were not made in accordance with the requirements above.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DTGD0217 and DTGD0427 were not made timely. In addition, reimbursement request for RCR No. DTGD0924 included expenditures in the amount of $10,158 which had not been disbursed when the request for the drawdown was made. Lastly, OSSE was unable to provide proper documentation to support the reimbursement request for RCR No. DTGD1017. This unsupported drawdown amounted to $527,654.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – OSSE's request 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 not requested timely. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause – OSSE did not appear to exercise due diligence in requesting federal funds in compliance with the grant terms and conditions and its actual cash needs. It also appears that the records retention policy over cash management was not functioning properly and as intended.

Recommendation – We recommend that OSSE should request federal funds within a reasonable time period and based on its immediate cash requirements and OSSE should develop written procedures for review of the drawdown process.

Further, we recommend that OSSE review its current records retention policy to ensure that complete documentation is maintained for all cash drawdown transactions. These procedures should be consistently adhered to, for all drawdown requests.

Views of Responsible Officials and Planned Corrective Actions – On November 1st, 2009, the Office of the Chief Financial Officer (OCFO) Management team changed. Under the new management structure, all documents are reviewed and approved before the revenue request is executed in the ASAP system. In addition, all documents are properly filed electronically on the OSSE shared drive. In FY 2010, OSSE has begun to request federal funds on a weekly basis in accordance with the District's Cash Management Improvement Act (CMIA) agreement. In addition, OSSE has revised its internal drawdown procedures to ensure that the revenue request is for cash expenditures only.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-74	U.S. Department of Education	Cash Management	Not Determinable

Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Grant Award Number: S010A080051
Grant Award Period: 7/1/08-9/30/09

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 3 funding techniques for the Title I grant for the drawdown of funds:

- Administrative costs require the use of the fixed administrative allowance and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.
- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Other non-payroll program payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 6 out of the 26 drawdowns made during FY 2009 totaling $29,789,704 and noted that the 6 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DM9GH006, DT9GH005, DT9GH006, DT9GH010, DT9GH018, and DTGD1028 were made later than required by the CMIA agreement. In addition, the reimbursement request for RCR No. DTGD1028 included expenditures in the amount of $151,025 which had not been disbursed when the request for the drawdown was made.

Context – This is a condition identified per review of OSSE's compliance with provisions of the CMIA agreement.

Effect – OSSE is not in compliance with the provisions of the CMIA agreement. OSSE'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 – OSSE 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 OSSE 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 – On November 1st, 2009, the Office of the Chief Financial Officer (OCFO) Management team changed. Under the new management structure, all documents are reviewed and approved before the revenue request is executed in the G5 system. In addition, all documents are properly filed electronically on the OSSE shared drive. In FY 2010, OSSE has begun to request federal funds on a weekly basis in accordance with the CMIA agreement. In addition, OSSE has revised its internal drawdown procedures to ensure that the revenue request is for cash expenditures only.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-75	U.S. Department of Education Special Education Cluster CFDA Number: 84.027, 84.173 Grant Award Number: H027A080010 Grant Award Period: 7/1/08-9/30/09	Cash Management	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Special Education grant for the drawdown of funds:

- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Other non-payroll program payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Further, pursuant to A-102 Common Rule and 31 Code of Federal Regulations (CFR) Part 205, cash drawdown requests for federal funds must be supported and proper documentation maintained.

Condition – We reviewed 6 out of the 27 drawdowns made during FY 2009 totaling $10,983,420 and noted that the 6 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT9GH001, DTGD1009, DTGD1028, and DTGD1213 were made later than required by the CMIA agreement. In addition, reimbursement request for RCR No. KA9GH001 included expenditures in the amount of $68,124 which had not been disbursed when the request for the drawdown was made. Lastly, OSSE was unable to provide proper documentation to support the reimbursement request for RCR No. DTGD1218. This unsupported drawdown amounted to $3,134,930.

Context – This is a condition identified per review of OSSE's compliance with provisions of the CMIA agreement.

Effect – OSSE is not in compliance with the provisions of the CMIA agreement. OSSE'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 – OSSE did not appear to exercise due diligence in requesting federal funds consistent with the CMIA agreement and its actual cash needs. It also appears that the records retention policy over cash management was not functioning properly and as intended.

Recommendation – We recommend that OSSE comply with the provisions of the CMIA agreement and request federal funds consistent with the CMIA agreement funding technique and its actual cash needs. We also recommend that OSSE review its current records retention policy to ensure that complete documentation is maintained for all cash drawdown transactions.

Views of Responsible Officials and Planned Corrective Actions – On November 1st, 2009, the Office of the Chief Financial Officer (OCFO) Management team changed. Under the new management structure, all documents are reviewed and approved before the revenue request is executed in the G5 system. In addition, all documents are properly filed electronically on the OSSE shared drive. In FY 2010, OSSE has begun to request federal funds on a weekly basis in accordance with the CMIA agreement. In addition, OSSE has revised its internal drawdown procedures to ensure that the revenue request is for cash expenditures only.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-76	U.S. Department of Education Charter Schools CFDA Number: 84.282 Grant Award Number: G0902DCCCDF Grant Award Period: 8/1/05-7/30/10	Cash Management	Not Determinable

Criteria or Specific Requirement – Pursuant to A-102 Common Rule and 31 Code of Federal Regulations (CFR) Part 205, a State must minimize the time between the drawdown of Federal funds from the Federal government and its disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accordance with the actual and immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

Condition – OSSE did not make any drawdown requests for Charter Schools program funds in FY 2009.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – OSSE unnecessarily used its local funds to carry out the purposes related to the Charter Schools program during FY 2009.

Cause – OSSE had not reconciled its revenues, receivables, and drawdowns during FY 2009. Consequently, OSSE was not in a position to make any drawdown requests until the proper reconciliations were completed.

Recommendation – We recommend that OSSE should request federal funds within a reasonable time period and based on its immediate cash requirements. We also recommend that OSSE should develop written procedures for review of the drawdown process. These procedures should be consistently adhered to, for all drawdown requests.

Views of Responsible Officials and Planned Corrective Actions – OSSE was unable to request federal funds because OSSE did not have access to this grant in the G5 system. OSSE was unable to obtain the necessary access due to an ongoing issue with the DUNS number that was assigned to this grant. This issue has now been corrected. On November 1st, 2009, the Office of the Chief Financial Officer (OCFO) Management team changed. Under the new management structure, all documents are reviewed and approved before the revenue request is executed in the G5 system.

In addition, all documents are properly filed electronically on the OSSE shared drive. In FY 2010, OSSE has begun to request federal funds on a weekly basis in accordance with the District's Cash Management Improvement Act (CMIA) agreement. In addition, OSSE has revised its internal drawdown procedures to ensure that the revenue request is for cash expenditures only.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-77	U.S. Department of Education Improving Teacher Quality State Grants CFDA Number: 84.367 Grant Award Number: S367A08008 Grant Award Period: 7/1/08-9/30/09	Cash Management	Not Determinable

Criteria or Specific Requirement – The Cash Management Improvement Act of 1990 (CMIA) agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be complied with when requesting federal funds. The CMIA agreement identifies 2 funding techniques for the Title II grant for the drawdown of funds:

- Reimbursement of payroll expenditures requires the use of the modified average clearance funding technique and a clearance pattern of 0 days and the amount of the request shall be for the exact amount of the disbursement.
- Other non-payroll program payments require the use of the average clearance funding technique and a clearance pattern of 7 days and the amount of the request shall be for the exact amount of the disbursement.

These funding techniques require the District to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition – We reviewed 6 out of the 24 drawdowns made during FY 2009 totaling $10,658,937 and noted that 5 of the 6 drawdowns sampled were not made in accordance with the provisions of the CMIA agreement.

The reimbursement requests for Revenue Collection Receipt (RCR) Nos. DT9GH002, DT9GH003, DT9GH007, DTGD1009, and DTGD1028 were made later than required by the CMIA agreement. In addition, the reimbursement request for RCR No. DTGD1028 included expenditures in the amount of $1,962,136 which had not been disbursed when the request for the drawdown was made.

Context – This is a condition identified per review of OSSE's compliance with provisions of the CMIA agreement.

Effect – OSSE is not in compliance with the provisions of the CMIA agreement. OSSE'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 – OSSE 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 OSSE 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 – On November 1st, 2009, the Office of the Chief Financial Officer (OCFO) Management team changed. Under the new management structure, all documents are reviewed and approved before the revenue request is executed in the G5 system. In addition, all documents are properly filed electronically on the OSSE shared drive. In FY 2010, OSSE has begun to request federal funds on a weekly basis in accordance with the CMIA agreement. In addition, OSSE has revised its internal drawdown procedures to ensure that the revenue request is for cash expenditures only.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-78	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number: 93.596 Grant Award Number: G0902DCCCDF Grant Award Period: 10/1/08-9/30/09	Cash Management	Not Determinable

Criteria or Specific Requirement – Pursuant to A-102 Common Rule and 31 Code of Federal Regulations (CFR) Part 205, a State must minimize the time between the drawdown of Federal funds from the Federal government and its disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual and immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

Further, 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.

Condition – OSSE did not make any drawdown requests for Child Care program funds in FY 2009 and as such, was also not in compliance with the aforementioned CMIA agreement.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – OSSE unnecessarily used its local funds to carry out purposes related to the Child Care program during FY 2009.

Cause – OSSE had not reconciled its revenues, receivables, and drawdowns during FY 2009. Consequently, OSSE was not in a position to make any drawdown requests until the proper reconciliations were completed.

Recommendation – We recommend that OSSE should request federal funds within a reasonable time period and based on its immediate cash requirements. We further recommend that OSSE should institute procedures to ensure compliance with the provisions of the CMIA agreement and request federal funds consistent with the funding techniques specified in the CMIA agreement. OSSE should also develop written procedures for review of the drawdown process. These procedures should be consistently adhered to, for all drawdown requests.

Views of Responsible Officials and Planned Corrective Actions – OSSE was unable to request federal funds because OSSE did not have access to this grant in the PMS system. OSSE was not granted access until December 2009. Upon receiving the required access from DHHS, OSSE staff requested the federal funds immediately.

On November 1st, 2009, the Office of the Chief Financial Officer (OCFO) Management team changed. Under the new management structure, all documents are reviewed and approved before the revenue request is executed in the PMS system. In addition, all documents are properly filed electronically on the OSSE shared drive. In FY 2010, OSSE has begun to request federal funds on a weekly basis in accordance with the District's CMIA agreement. In addition, OSSE has revised its internal drawdown procedures to ensure that the revenue request is for cash expenditures only.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-79	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number: 93.596 Grant Award Number: G0902DCCCDF Grant Award Period: 10/1/08-9/30/09	Eligibility	Not Determinable

Criteria or Specific Requirement – The Child Care program subsidizes child care expenses for eligible participants. The federal payment is the difference between daily child care expenses and the participant's co-payment amount. The Child Care program also requires that eligible individuals reside with a family whose income does not exceed 85% of the State median income for a family of the same size and reside with a parent (or parents) who is working or attending a job-training program.

Condition – In our review of 77 participant files, we identified the following:

- OSSE had calculated 1 participant co-payment correctly in its case files. However, OSSE had not updated its system to reflect the correct co-payment amount.
- In 2 case files of participants deemed eligible, OSSE had not obtained and retained adequate information to conclude on the proper income eligibility determination.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – The use of incorrect co-payment amounts in eligibility determinations may result in the Federal government paying more than its required share. In addition, income eligibility determinations based on incomplete information may lead to ineligible families participating in the program or participants may be placed in the wrong category of the co-pay scale.

Cause – OSSE is not performing periodic reviews of data in its participant database and is not obtaining complete information to make proper income eligibility determinations.

Recommendation – We recommend that OSSE improve internal control procedures to ensure that data is accurate and complete. We also recommend OSSE obtain and retain complete information to support eligibility decisions.

Views of Responsible Officials and Planned Corrective Actions – OSSE has a control mechanism in place to conduct periodic reviews of participant case files and is currently taking measures to strengthen this mechanism. OSSE recently completed an Improper Authorization for Payment (IAP) audit through which it examined a sample of 276 case files for child care subsidy recipients. Each case was reviewed to verify whether eligibility was properly determined and if rates (both subsidy and parent co-payment) were properly assigned.

OSSE will continue this audit process and will use information gathered through the IAP audit to improve its existing control mechanism. The current control mechanism has been in place since 2008 and provides assurance that only eligible individuals and organizations receive assistance under Federal awards programs, that sub-awards are made only to eligible sub-recipients, and that amounts provided were calculated in accordance with program requirements.

OSSE's control mechanism addresses improper authorization errors during both initial intake and re-determination processes through regular trainings on eligibility policies, monthly spot checks on initial eligibility applications, and periodic case reviews. This mechanism will be strengthened by using information gathered through OSSE's IAP audit on the nature and frequency of errors being made. This information will allow OSSE to target trainings to correct specific areas of concern and to address specific mechanisms within the eligibility determination process.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-80	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A080051 Grant Award Period: 7/1/08-9/30/09	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources."

Condition – OSSE was unable to provide evidence of its compliance with the supplement not supplant requirement.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – OSSE was unable to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support OSSE being in compliance.

Cause – Management does not appear to have policies and procedures in place to ensure compliance with the supplement not supplant requirement.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. We recommend that OSSE develop policies and procedures to ensure compliance with the supplement not supplant requirement. We also recommend that supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – State and local educational agencies are required to use Title I, Part A funds "only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds." 20 U.S.C. 6321(b)(1). In other words, Title I, Part A funds generally cannot be used to pay for costs that would otherwise be paid for with state or local funds.

As the U.S. Department of Education (USDE) has recognized, determining whether a particular cost constitutes supplanting depends on individual facts and circumstances:

- In its February 2008 Non-Regulatory Guidance on Title I Fiscal Issues USDE stated, "keep in mind that any determination about supplanting is very case specific and it is difficult to provide general guidelines without examining the details of a situation."

- In an October 13, 2004 webcast entitled "Key Title I Fiscal Issues: Supplement, Not Supplant" one USDE official stated "one of the reasons that it's [supplement, not supplant] so hard to deal with is that it's very case specific. You have to have all the details and circumstances in an individual situation to make a call about whether "supplement, or not supplant" applies." Another official stated supplement not supplant "sounds like a very simple requirement, but . . . it's very fact specific. And, you really can't talk about it well in general terms because it is so dependent upon the facts of the specific situation."

Because a supplanting analysis is so fact specific both the USDE's Non-Regulatory Guidance and the OMB Circular A-133 Compliance Supplement direct auditors to apply three presumptions to determine whether an individual cost constitutes supplanting:

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA is required to make available under other federal, state, or local laws.

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA provided with state or local funds in the prior year.

- A supplanting violation is presumed when an SEA or LEA uses Title I, Part A to provide the same services to Title I students that the LEA or SEA provides with state or local funds to nonparticipating students.

Thus, a supplanting analysis must be based on the specific facts and circumstances surrounding a particular cost.

OSSE has taken steps to ensure costs comply with federal supplanting restrictions. As part of its annual budget development process OSSE, in collaboration with its agency fiscal office, takes into consideration the funding source (local or federal) for particular budget items to ensure compliance with this requirement. In addition, in school year 2008-2009 local educational agencies (LEAs), including the DCPS LEA, provided assurance they would comply with supplement not supplant requirement as a condition of receiving federal funds under the consolidated application for major NCLB programs. The 2009-2010 consolidated application continues to include this assurance, and OSSE has also provided guidance to LEAs on the supplement not supplant requirements.

Finally, in the absence of specific expenditures or transactions that allegedly violated the supplanting requirement under Title I, Part A, there is no evidence of actual harm to an identifiable federal interest sufficient to establish a prima facie case to support the finding.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-81	U.S. Department of Education Improving Teacher Quality State Grants CFDA Number: 84.367 Grant Award Number: S367A080008 Grant Award Period: 7/1/08-9/30/09	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources."

Condition – OSSE was unable to provide evidence of its compliance with the supplement not supplant requirement.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – OSSE was unable to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support OSSE being in compliance.

Cause – Management does not appear to have policies and procedures in place to ensure compliance with the supplement not supplant requirement.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. We recommend that OSSE develop policies and procedures to ensure compliance with the supplement not supplant requirement. We also recommend that supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – State and local educational agencies are required to use Title II, Part A funds "only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds." 20 U.S.C. §§ 6613(f), 6623(b). In other words, Title II, Part A funds generally cannot be used to pay for costs that would otherwise be paid for with state or local funds.

As the U.S. Department of Education (USDE) has recognized, determining whether a particular cost constitutes supplanting depends on individual facts and circumstances:

- In its February 2008 Non-Regulatory Guidance on Title I Fiscal Issues USDE stated, "keep in mind that any determination about supplanting is very case specific and it is difficult to provide general guidelines without examining the details of a situation."

- In an October 13, 2004 webcast entitled "Key Title I Fiscal Issues: Supplement, Not Supplant" one USDE official stated "one of the reasons that it's [supplement, not supplant] so hard to deal with is that it's very case specific. You have to have all the details and circumstances in an individual situation to make a call about whether "supplement, or not supplant" applies." Another official stated supplement not supplant "sounds like a very simple requirement, but . . . it's very fact specific. And, you really can't talk about it well in general terms because it is so dependent upon the facts of the specific situation."

Because a supplanting analysis is so fact specific both the USDE's Non-Regulatory Guidance and the OMB Circular A-133 Compliance Supplement direct auditors to apply three presumptions to determine whether an individual cost constitutes supplanting:

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA is required to make available under other federal, state, or local laws.

- A supplanting violation is presumed when an SEA or LEA uses federal funds to provide services the SEA or LEA provided with state or local funds in the prior year.

- A supplanting violation is presumed when an SEA or LEA uses Title I, Part A to provide the same services to Title I students that the LEA or SEA provides with state or local funds to nonparticipating students.

Thus, a supplanting analysis must be based on the specific facts and circumstances surrounding a particular cost.

OSSE has taken steps to ensure costs comply with federal supplanting restrictions. As part of its annual budget development process OSSE, in collaboration with its agency fiscal office, takes into consideration the funding source (local or federal) for particular budget items to ensure compliance with this requirement. In addition, in school year 2008-2009 local educational agencies (LEAs), including the DCPS LEA, provided assurance they would comply with supplement not supplant requirement as a condition of receiving federal funds under the consolidated application for major NCLB programs. The 2009-2010 consolidated application continues to include this assurance, and OSSE has also provided guidance to LEAs on the supplement not supplant requirements.

Finally, in the absence of specific expenditures or transactions that allegedly violated the supplanting requirement under Title II, Part A, there is no evidence of actual harm to an identifiable federal interest sufficient to establish a prima facie case to support the finding.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-82	U.S. Department of Education	Reporting	Not Determinable

Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Grant Award Number: S010A080051
Grant Award Period: 7/1/08-9/30/09

Criteria or Specific Requirement – Reports for federal awards should include all activity of the reporting period and should be supported by applicable accounting records. They should also be presented in accordance with program specifications. Each year, a State Educational Agency (SEA) must submit its average State Per Pupil Expenditure (SPPE) data to the National Center for Education Statistics (NCES). This SPPE data is used by the U.S. Department of Education to make allocations under several Elementary and Secondary Education Act (ESEA) programs. The SPPE data is provided by OSSE with a one-year lag.

Condition – OSSE's Title I expenditures for FY 2008 as presented in Section 7 of the SPPE report were approximately $46.78 million while the summary of federal expenditures for Title I as reflected on the FY 2008 Schedule of Expenditures of Federal Awards were approximately $51.69 million. There is a difference in the expenditures reported to NCES by approximately $4.91 million.

Context – This is a condition identified per review of OSSE's compliance with specified requirements.

Effect – The report generated by OSSE is not accurate.

Cause – There was inadequate review by OSSE prior to releasing the report. The information extracted from SOAR, the District's accounting system of record, in the preparation of the SPPE report did not appear to have been reviewed.

Recommendation – We recommend OSSE should maintain all supporting documentation for the expenditures and amounts reflected in the financial reports and verify consistency of the information with other reports issued to other agencies. We also recommend that OSSE's financial reports should be reconciled with SOAR and reviewed by a responsible official prior to release.

Views of Responsible Officials and Planned Corrective Actions – OSSE agrees with this finding in part. OSSE provided back up documentation to support the initial SPPE report issued by OSSE to NCES. This initial report was subsequently adjusted based on guidance from NCES.

While OSSE agrees that the agency failed to provide documentation that supported the changes made to the initial SPPE report, the agency maintains copies of email communications from NCES stating that the final report included "data after we have made adjustments/imputations for missing data. The 'Imputed File for Release' data are the data we [NCES] will publish. We were informed that Instruction-Other included some expenditures for equipment and other items, and that is why the total current expenditures decreased after the imputations were run."

OSSE agrees with the recommendation and will update existing policies and procedures to include said recommendations.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-83	U.S. Department of Agriculture Child and Adult Care Food Program CFDA Number: 10.558 Grant Award Number: 1DC300302 Grant Award Period: 10/1/08-9/30/09	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; (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 maintained and retained in accordance with OMB Circular A-102.

Condition – We reviewed 10 subrecipient files and noted that in 1 file, OSSE had no evidence of a corrective action plan and follow-up on deficiencies noted during the site visits.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. The total number of subrecipients in FY 2009 was 73.

Effect – Failure to properly monitor subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – It appears that the monitoring procedures were not applied as was intended by the stated policies.

Recommendation – We recommend OSSE adhere to its subrecipient monitoring procedures and controls to ensure subrecipients' corrective action plans for deficiencies are obtained, followed up on to ensure proper remediation, and retained in the files.

Views of Responsible Officials and Planned Corrective Actions – The Child and Adult Care Food Program (CACFP) unit in the Wellness and Nutrition Services Division (WNS) has established procedures to follow up when subrecipient organizations have been monitored and require implementation of corrective actions for failure to comply with CACFP requirements.

The current procedures require the CACFP specialists to individually track the delivery of the subrecipient's corrective action (CA) plan and determine if the CA is submitted within the specified timeframe, that the subrecipient executed appropriate CA to permanently correct the infraction, and the CACFP specialists provide a suitable close-out letter when all infractions have been appropriately addressed. These documents are to be filed in the subrecipient's folders. WNS is committed to updating and improving its subrecipient monitoring policies and procedures to ensure increased compliance.

WNS will incorporate the following future procedures in addition to its current procedures. To ensure the subrecipient's CA is obtained and properly followed-up, the CACFP specialist will:

- Input future CA due dates on the CACFP units Outlook calendar to ensure the CAs are submitted within the specified timeframe;
- Send managers an email when the CA is received and if necessary, discuss the subrecipient's plan;
- Within five days of receipt of the CA, provide through email or postal mail, an appropriate response to the subrecipient, i.e. close-out letter or include additional corrective plans needed to permanently correct the violation;
- Close-out letter or other additional correspondences to the subrecipient will be saved electronically and filed in the subrecipient's folder; and
- Notify the CACFP manager when these documents have been filed.

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District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-84	U.S. Department of Health and Human Services Child Care Mandatory & Matching Funds of the Child Care & Development Fund CFDA Number: 93.596 Grant Award Number: G0902DCCCDF Grant Award Period: 10/1/08-9/30/09	Subrecipient Monitoring	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement indicates that a grantee must have policies and procedures in place to (1) monitor the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and require the subrecipient to take prompt corrective action on any audit findings; (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 maintained and retained in accordance with OMB Circular A-102.

Condition – We reviewed 12 subrecipient files and noted that in 4 files, OSSE had not properly indentified federal award information to the respective subrecipients.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. The total number of subrecipients in FY 2009 was 53.

Effect – Failure to properly identify federal award information to subrecipients could lead to subrecipients inappropriately using federal funds.

Cause – OSSE's subrecipient monitoring procedures and controls do not address the requirement for identifying federal award information to subrecipients.

Recommendation – We recommend OSSE revise its subrecipient monitoring procedures and controls to address the identification of federal award information to subrecipients.

Views of Responsible Officials and Planned Corrective Actions – OSSE has included the grant award number information in subrecipient files in prior years, and is now requiring the Analysis & Reporting Division of the Early Childhood Education Division to review each subrecipient grant award notice to ensure that the CFDA number is included in all grant agreements.

Moreover, OSSE is undertaking a more comprehensive revision of its subrecipient monitoring procedures and protocols. The Division of Early Childhood Education is participating in the OSSE-wide working group charged with creating guidance for OSSE divisions to monitor subrecipients receiving federal funding. This OSSE-wide working group played a key role in the creation and release of the Monitoring Policy guidance issued by OSSE on March 26, 2010. Each office within OSSE uses these policies as a guide in developing individual program specific monitoring protocols and tools to address the requirements of each local and federal grant administered by the agency. The policy provides guidance on the minimum requirements and standards OSSE shall use to monitor programs implemented by grant subrecipients. Furthermore, participation in this working group is intended to align the monitoring policies with actual implementation practices.

This new Monitoring Policy requires that Federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient noncompliance on the pass-through entity is evaluated. The Monitoring Policy also outlines policies for the pass-through entity to conduct monitoring to ensure the subrecipient carries out the requirements of the grant/provider agreement, obtains required audits, and takes appropriate corrective action on audit findings.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-85	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A080051 Grant Award Period: 7/1/08-9/30/09	Allowable Costs: Payroll and Nonpayroll Activities	$1,048,182

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Condition – The following exceptions were noted during our testwork:

- DCPS was unable to provide expenditure details and underlying supporting documentation for payroll expenditures as charged to the federal grant and included in the schoolwide plan in the amount of $654,598.
- In 1 out of 16 payroll expenditure samples selected for testing included in the non-schoolwide plan, the amount claimed exceeded the actual amount paid to the respective employee by $10,983.
- DCPS was unable to provide expenditure details and underlying supporting documentation for nonpayroll expenditures that were charged to the federal grant in the amount of $94,038.
- In 1 out of 17 nonpayroll expenditure samples selected for testing, DCPS was unable to provide adequate supporting documentation. The amount related to the unsupported expenditure was $288,563.

Context – This is a condition identified per review of DCPS' compliance with specified requirements. Total expenditure transactions charged to the Title I program by DCPS in FY 2009 were $29,703,172 which includes payroll expenditures for the schoolwide and non-schoolwide plan in the amount of $14,378,206 and $1,759,149, respectively.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, a lack of review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal awards.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention.

Recommendation – DCPS should review its controls to ensure that adequate supporting documentation is maintained for all expenditures incurred with federal awards. The supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – DCPS does not concur that expenditure details and underlying supporting documentation was not provided for $654,598 in school-wide plan payroll related expenditures. DCPS provided detail reports from SOAR, the District's accounting system of record, for $347,726 of the $654,598. DCPS tracks the amount of school-wide expenditures incurred on a per program level in SOAR and provided sufficient underlying support for these expenses. DCPS concurs that sufficient supporting documentation and underlying data was not provided for $306,872 in school-wide plan payroll expenditures.

DCPS further concurs with the above conditions identified related to the non-schoolwide payroll and non-payroll expenditures and will review our document retention policy, and revise it as necessary, to ensure that adequate documentation for expenditures incurred related to federal awards is consistently available for review. The expenditure review and approval procedures over personnel and non-personnel costs will also be reviewed and revised as necessary to ensure that expenditures are appropriately monitored so that costs do not exceed approved amounts.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/Noncompliance	Questioned Costs
2009-86	U.S. Department of Education Improving Teacher Quality State Grants CFDA Number: 84.367 Grant Award Number: S367A08008 Grant Award Period: 7/1/08-9/30/09	Allowable Costs: Nonpayroll Activities	$49,504

Criteria or Specific Requirement – Per Attachment A, OMB Circular No. 87 Section C (1) (j), we noted that "to be allowable under Federal awards, costs must be adequately documented." In addition, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable for federal awards under provisions of the Circular.

Condition – We noted that for FY 2009 DCPS had charged $3,771,284 in nonpayroll expenditures to the Title II program. Of this amount, DCPS was only able to provide underlying supporting documentation for $3,721,780.

Context – This is a condition identified per review of DCPS' compliance with specified requirements. The unsupported nonpayroll expenditures amounted to $49,504.

Effect – Because of the absence of appropriate documentation, we were unable to completely confirm the allowability or validity of expenses claimed as federal expenditures. Furthermore, a lack of review of expenditures may lead to expenses being incurred which are not allowed under the conditions of the federal awards.

Cause – Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and document retention.

Recommendation – DCPS should review its controls to ensure that adequate supporting documentation is maintained for all expenditures incurred with federal awards. The supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – DCPS concurs that the supporting documentation related to these expenditures was not provided. We will review the document retention policy, and revise it as necessary, to ensure that adequate documentation for expenditures incurred related to federal awards is consistently available for review. The expenditure review and approval procedures over non-personnel costs will also be reviewed and revised to ensure that expenditures continue to be appropriately monitored.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2009-87	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A080051 Grant Award Period: 7/1/08-9/30/09	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources."

Condition – DCPS was unable to provide evidence of its compliance with the supplement not supplant requirement.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS was unable to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support DCPS being in compliance.

Cause – Management does not appear to have policies and procedures in place to ensure compliance with the supplement not supplant requirement.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. We recommend that DCPS develop policies and procedures to ensure compliance with the supplement not supplant requirement. We also recommend that supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – DCPS will develop a policy in which procedures related to the supplement not supplant objectives are documented to facilitate third party review as there are various controls built into the existing process requiring detailed expenditure review and analysis that prevent supplanting from occurring.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2009-88	U.S. Department of Education Special Education Cluster CFDA Number: 84.027, 84.173 Grant Award Number: H027A080010 Grant Award Period: 7/1/08-9/30/09	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – The OMB Circular A-133 Compliance Supplement specifies that IDEA, Part B funds received by a Local Educational Agency (LEA) cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of State and local funds, below the level of those expenditures for the preceding fiscal year. To meet this requirement, an LEA must expend, in any particular fiscal year, an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or a per capita basis, to the amount of local funds, or a combination of State and local funds, expended for this purpose by the LEA in the prior fiscal year.

Condition – DCPS was unable to provide evidence of its compliance with the maintenance of effort requirement.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS was unable to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support DCPS being in compliance.

Cause – Management does not appear to have policies and procedures in place to ensure compliance with the maintenance of effort requirement. There was no review of the requirement during the year.

Recommendation – DCPS should determine a methodology for ensuring that the local maintenance of effort has remained consistent from year to year. A policy should be instituted that will analyze the local funds used for the Special Education Cluster programs and measure them against the local funds used in prior years.

Views of Responsible Officials and Planned Corrective Actions – DCPS will develop and maintain a written policy for the Special Education program's maintenance of effort and apply this analysis to monitor activity beginning in FY 2010.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2009-89	U.S. Department of Education Improving Teacher Quality State Grants CFDA Number: 84.367 Grant Award Number: S367A080008 Grant Award Period: 7/1/08-9/30/09	Matching, Level of Effort, Earmarking	Not Determinable

Criteria or Specific Requirement – As reflected in the OMB Circular A-133 Compliance Supplement "A State Educational Agency (SEA) or a Local Educational Agency (LEA) may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources."

Condition – DCPS was unable to provide evidence of its compliance with the supplement not supplant requirement.

Context – This is a condition identified per review of DCPS' compliance with specified requirements.

Effect – DCPS was unable to provide evidence that it was monitoring or attempting to meet this requirement. Therefore, no evidence exists to support DCPS being in compliance.

Cause – Management does not appear to have policies and procedures in place to ensure compliance with the supplement not supplant requirement.

Recommendation – Federal funds should not be used for programs which have been funded by non-federal funds in the preceding year. We recommend that DCPS develop policies and procedures to ensure compliance with the supplement not supplant requirement. We also recommend that supporting documentation should be properly maintained and safeguarded and be available for review.

Views of Responsible Officials and Planned Corrective Actions – DCPS will develop a policy in which procedures related to the supplement not supplant objectives are documented to facilitate third party review as there are various controls built into the existing process requiring detailed expenditure review and analysis that prevent supplanting from occurring.

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District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)

No.	Program	Findings/ Noncompliance	Questioned Costs
2009-90	U.S. Department of Education Title I Grants to Local Educational Agencies CFDA Number: 84.010 Grant Award Number: S010A080051 Grant Award Period: 7/1/08-9/30/09	Procurement, Suspension, and Debarment	Not Determinable

Criteria or Specific Requirement – OMB Circulars A-133 and A-102 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

Condition – In our review of 27 procurement files related to the Title I grant, DCPS was unable to provide supporting documentation for 1 procurement file. The amount of the purchase order for this file was $418,200.

Context – This is a condition identified per review of OSSE's compliance with specified requirements. We reviewed 27 procurement files totaling $7,727,133.

Effect – Inefficient control systems related to procurement files can lead to noncompliance with laws and regulations. DCPS 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 DCPS could possibly issue procurements without the appropriate funding.

Cause – DCPS maintains a separate procurement office to ensure procurement requirements are met, as well as for the maintenance of appropriate supporting documentation. DCPS did not adhere to the required policies and procedures to ensure that it complied with the appropriate documentation requirements under OMB Circulars A-133 and A-102 for procurements, suspension, and debarment.

Recommendation – We recommend that DCPS improve internal controls to ensure adherence to federal regulations related to procurement of goods and services. In addition, we recommend that DCPS review its current records retention policy to ensure that complete documentation is maintained for all procurement transactions.

Views of Responsible Officials and Planned Corrective Actions – DCPS Office of Contracts and Acquisitions has an existing record retention policy. The missing documentation is not a result of a policy failure but due to the fact that files sent to offsite storage during the move to the new location were mislabeled and misfiled. The process related to items filed offsite is being revised to ensure that items are appropriately labeled and additional levels of review will be required prior to files being sent out to the offsite location.

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Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Individual Responsible for Corrective Action Plan:

Nelson Alli
Government of the District of Columbia
Office of Integrity and Oversight
Single Audit Coordinator
202-442-8274

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency: Department of Health (DOH)				
2008-11	Medical Assistance Program Cluster	Allowable Costs: Escheated Warrants	93.775, 93.777, 93.778	Responsibility shift to DHCF. Similar Finding No. 2009-07.
2008-12	Medical Assistance Program Cluster	Allowable Costs: Drug Rebates	93.775, 93.777, 93.778	Responsibility shift to DHCF. Similar Finding No. 2009-08.
2008-13	Housing Opportunities for Persons with AIDS	Cash Management: Funding Technique	14.241	Repeated. Finding No. 2009-14.
2008-14	State Children's Health Insurance Program	Cash Management: Funding Technique	93.767	Responsibility shift to DHCF and change in program name. Similar Finding No. 2009-09.
2008-15	Medical Assistance Program Cluster	Cash Management: Funding Technique	93.775, 93.777, 93.778	Responsibility shift to DHCF. Partially corrected. Similar Finding No. 2009-10.
2008-16	HIV Emergency Relief Project Grants	Cash Management: Funding Technique	93.914	Repeated. Finding No. 2009-16.
2008-17	HIV Care Formula Grants	Cash Management: Funding Technique	93.917	Repeated. Finding No. 2009-17.
2008-18	HIV Prevention Activities	Cash Management: Funding Technique	93.940	Repeated. Finding No. 2009-18.
2008-19	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management: Funding Technique	93.959	Not corrected. Similar Finding No. 2009-14 through 2009-18.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency: Department of Health (DOH) - Cont'd.				
2008-20	State Children's Health Insurance Program	Eligibility	93.767	Responsibility shift to DHCF and change in program name. Similar Finding No. 2009-11.
2008-21	Medical Assistance Program Cluster	Eligibility	93.775, 93.777, 93.778	Responsibility shift to DHCF. Similar Finding No. 2009-12.
2008-22	HIV Care Formula Grants	Eligibility	93.917	Corrected.
2008-23	Medical Assistance Program Cluster	Procurement, Suspension, and Debarment	93.775, 93.777, 93.778	Responsibility shift to DHCF. Corrected.
2008-24	HIV Emergency Relief Project Grants	Procurement, Suspension, and Debarment	93.914	Corrected.
2008-25	HIV Care Formula Grants	Procurement, Suspension, and Debarment	93.917	Corrected.
2008-26	HIV Prevention Activities	Procurement, Suspension, and Debarment	93.940	Corrected.
2008-27	Block Grants for Prevention and Treatment of Substance Abuse	Procurement, Suspension, and Debarment	93.959	Corrected.
2008-28	HIV Care Formula Grants	Subrecipient Monitoring	93.917	Corrected.
2008-29	Housing Opportunities for Persons with AIDS	Special Tests and Provisions: Housing Quality Standards	14.241	Corrected.

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency: Department of Health (DOH) - Cont'd.				
2008-30	Medical Assistance Program Cluster	Special Tests and Provisions: Utilization Control and Program Integrity	93.775, 93.777, 93.778	Responsibility shift to DHCF. Corrected.
District Agency - Department of Disability Services (DDS)				
2008-31	Social Security – Disability Insurance	Allowable Costs: Indirect Cost Activities	96.001	Corrected.
2008-32	Vocational Rehabilitation Grants to States	Cash Management: Funding Technique	84.126	Repeated. Finding No. 2009-22.
2008-33	Social Security – Disability Insurance	Cash Management: Funding Technique	96.001	Repeated. Finding No. 2009-23.
2008-34	Vocational Rehabilitation Grants to States	Eligibility	84.126	Repeated. Finding No. 2009-24.
2008-35	Vocational Rehabilitation Grants to States	Procurement, Suspension, and Debarment	84.126	Repeated. Finding No. 2009-25.
2008-36	Social Security – Disability Insurance	Procurement, Suspension, and Debarment	96.001	Repeated. Finding No. 2009-26.
District Agency – Office of the Attorney General (OAG)				
2008-37	Child Support Enforcement	Allowable Costs: Indirect Cost Activities	93.563	Corrected.
2008-38	Child Support Enforcement	Cash Management	93.563	Repeated. Finding No. 2009-28.
2008-39	Child Support Enforcement	Procurement, Suspension, and Debarment	93.563	Repeated. Finding No. 2009-29.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Office of the Attorney General (OAG) - Cont'd.				
2008-40	Child Support Enforcement	Special Tests and Provisions: Provision of Child Support Services for Interstate Initiating Cases	93.563	Repeated. Finding No. 2009-30.
2008-41	Child Support Enforcement	Special Tests and Provisions: Provision of Child Support Services for Interstate Responding Cases	93.563	Corrected.
2008-42	Child Support Enforcement	Special Tests and Provisions: Enforcement of Support Obligations	93.563	Corrected.
District Agency – District of Columbia Public Schools (DCPS)				
2008-43	Head Start	Allowable Costs: Payroll Activities	93.600	Corrected.
2008-44	Head Start	Allowable Costs: Indirect Cost Activities	93.600	Repeated. Finding No. 2009-33.
2008-45	Head Start	Cash Management: Funding Technique	93.600	Repeated. Finding No. 2009-34.
2008-46	Head Start	Cash Management: Drawdown of Funds	93.600	Repeated. Finding No. 2009-34.
2008-47	Head Start	Eligibility	93.600	Corrected.
2008-48	This finding number was not used.			
2008-49	This finding number was not used.			
2008-50	This finding number was not used.			

Government of the District of Columbia

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – District of Columbia Public Schools (DCPS) - Cont'd.				
2008-51	Head Start	Procurement, Suspension, and Debarment	93.600	Corrected.
2008-52	Head Start	Reporting	93.600	Repeated. Finding No. 2009-38.
2008-53	Head Start	Reporting	93.600	Corrected.
2008-54	This finding number was not used.			
2008-55	Head Start	Subrecipient Monitoring	93.600	Repeated. Finding No. 2009-39.
District Agency – Child and Family Services Agency (CFSA)				
2008-56	Foster Care – Title IV-E	Allowable Costs: Cost Allocation Plan	93.658	Repeated. Finding No. 2009-43.
2008-57	Adoption Assistance	Allowable Costs: Cost Allocation Plan	93.659	Repeated. Finding No. 2009-44.
2008-58	Foster Care – Title IV-E	Cash Management: Funding Technique	93.658	Repeated. Finding No. 2009-45.
2008-59	Adoption Assistance	Cash Management: Funding Technique	93.659	Repeated. Finding No. 2009-46.
2008-60	Foster Care – Title IV-E	Eligibility	93.658	Repeated. Finding No. 2009-47.
2008-61	Adoption Assistance	Eligibility	93.659	Repeated. Finding No. 2009-48.
2008-62	Foster Care – Title IV-E	Procurement, Suspension, and Debarment	93.658	Repeated. Finding No. 2009-49.

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Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Child and Family Services Agency (CFSA) - Cont'd.				
2008-63	Adoption Assistance	Procurement, Suspension, and Debarment	93.659	Corrected.
2008-64	This finding number was not used.			
2008-65	Foster Care – Title IV-E	Subrecipient Monitoring	93.658	Repeated. Finding No. 2009-50.
District Agency – District Department of the Environment (DDOE)				
2008-66	Low Income Home Energy Assistance Program	Equipment and Real Property Management	93.568	Corrective action plan implemented.
2008-67	Nonpoint Source Implementation Grants	Matching, Level of Effort, Earmarking	66.460	Corrective action plan implemented.
2008-68	Nonpoint Source Implementation Grants	Subrecipient Monitoring	66.460	Corrective action plan implemented.
District Agency – Department of Housing and Community Development (DHCD)				
2008-69	Community Development Block Grants/Entitlement Grants	Allowable Costs: Indirect Cost Activities	14.218	Corrective action plan implemented.
2008-70	HOME Investment Partnerships Program	Allowable Costs: Indirect Cost Activities	14.239	Corrective action plan implemented.
2008-71	HOME Investment Partnerships Program	Matching, Level of Effort, Earmarking	14.239	Corrective action plan implemented.
District Agency – Department of Human Services (DHS)				
2008-72	State Administrative Matching Grants for Food Stamp Program	Allowable Costs: Nonpayroll and Payroll Activities	10.561	Corrected.
2008-73	This finding number was not used.			

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Department of Human Services (DHS) - Cont'd.				
2008-74	Temporary Assistance for Needy Families	Allowable Costs: Indirect Cost Activities	93.558	Repeated. Finding No. 2009-51.
2008-75	This finding number was not used.			
2008-76	State Administrative Matching Grants for Food Stamp Program	Cash Management: Funding Technique	10.561	Change in program name. Repeated. Finding No. 2009-53.
2008-77	Temporary Assistance for Needy Families	Cash Management: Funding Technique	93.558	Repeated. Finding No. 2009-54.
2008-78	Community Services Block Grant	Cash Management: Funding Technique	93.569	Repeated. Finding No. 2009-55.
2008-79	Social Services Block Grant	Cash Management: Funding Technique	93.667	Not corrected. Similar Finding No. 2009-53 through 2009-55.
2008-80	Temporary Assistance for Needy Families	Eligibility	93.558	Repeated. Finding No. 2009-56.
2008-81	Temporary Assistance for Needy Families	Period of Availability	93.558	Corrected.
2008-82	Temporary Assistance for Needy Families	Procurement, Suspension, and Debarment	93.558	Repeated. Finding No. 2009-58.
2008-83	Community Services Block Grant	Procurement, Suspension, and Debarment	93.569	Corrected.
2008-84	Temporary Assistance for Needy Families	Special Tests and Provisions: Child Support Non-Cooperation	93.558	Repeated. Finding No. 2009-61.

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Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Department of Human Services (DHS) - Cont'd.				
2008-85	Temporary Assistance for Needy Families	Special Tests and Provisions: Income Eligibility and Verification System	93.558	Corrected.
2008-86	This finding number was not used.			
District Agency – Department of Employment Services (DOES)				
2008-87	Unemployment Insurance	Cash Management: Funding Technique	17.225	Repeated. Finding No. 2009-62.
2008-88	This finding number was not used.			
District Agency – District Department of Transportation (DDOT)				
2008-89	Highway Planning and Construction	Davis-Bacon Act	20.205	Corrected.
2008-90	This finding number was not used.			
District Agency – Homeland Security and Emergency Management Agency (HSEMA)				
2008-91	Homeland Security Grant Program	Cash Management: Funding Technique	97.067	Corrected.
2008-92	Rail and Transit Security Grant Program	Cash Management: Funding Technique	97.075	Corrective action plan implemented.
2008-93	Rail and Transit Security Grant Program	Matching, Level of Effort, Earmarking	97.075	Corrective action plan implemented.
2008-94	This finding number was not used.			
2008-95	Rail and Transit Security Grant Program	Period of Availability	97.075	Not corrected. Similar Finding No. 2009-68.
2008-96	Homeland Security Grant Program	Procurement, Suspension, and Debarment	97.067	Repeated. Finding No. 2009-69.

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Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Homeland Security and Emergency Management Agency (HSEMA) - Cont'd.				
2008-97	Rail and Transit Security Grant Program	Procurement, Suspension, and Debarment	97.075	Not corrected. Similar Finding No. 2009-69.
2008-98	This finding number was not used.			
2008-99	This finding number was not used.			
2008-100	Homeland Security Grant Program	Subrecipient Monitoring	97.067	Corrected.
2008-101	Rail and Transit Security Grant Program	Subrecipient Monitoring	97.075	Corrective action plan implemented.
2008-102	This finding number was not used.			
District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA)				
2008-103	Title I Grants to Local Educational Agencies	Allowable Costs: Payroll Activities	84.010	Corrected.
2008-104	Special Education Cluster	Allowable Costs: Payroll Activities	84.027; 84.173	Repeated. Finding No. 2009-72.
2008-105	Career and Technical Education-Basic Grants to States	Allowable Costs: Payroll Activities	84.048	Not corrected. Similar Finding No. 2009-72.
2008-106	This finding number was not used.			
2008-107	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Allowable Costs: Nonpayroll Activities	93.596	Corrected.
2008-108	Title I Grants to Local Educational Agencies	Cash Management: Drawdown of Funds	84.010	Repeated. Finding No. 2009-74.
2008-109	Special Education Cluster	Cash Management: Drawdown of Funds	84.027, 84.173	Repeated. Finding No. 2009-75.

Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA) - Cont'd.				
2008-110	Improving Teacher Quality State Grants	Cash Management: Drawdown of Funds	84.367	Partially corrected. Similar Finding No. 2009-77.
2008-111	Statewide Data Systems	Cash Management: Drawdown of Funds	84.372	Partially corrected. Similar Finding No. 2009-73 through 2009-78.
2008-112	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Cash Management: Drawdown of Funds	93.596	Repeated. Finding No. 2009-78.
2008-113	Title I Grants to Local Educational Agencies	Eligibility	84.010	Corrected.
2008-114	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Eligibility	93.596	Repeated. Finding No. 2009-79.
2008-115	Title I Grants to Local Educational Agencies	Matching, Level of Effort, Earmarking	84.010	Repeated. Finding No. 2009-80.
2008-116	This finding number was not used.			
2008-117	Career and Technical Education-Basic Grants to States	Matching, Level of Effort, Earmarking	84.048	Not corrected. Similar Finding No. 2009-80 and 2009-81.
2008-118	Career and Technical Education-Basic Grants to States	Matching, Level of Effort, Earmarking	84.048	Corrective action plan implemented.
2008-119	Career and Technical Education-Basic Grants to States	Matching, Level of Effort, Earmarking	84.048	Corrective action plan implemented.

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Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA) - Cont'd.				
2008-120	Improving Teacher Quality State Grants	Matching, Level of Effort, Earmarking	84.367	Repeated. Finding No. 2009-81.
2008-121	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Period of Availability	93.596	Corrected.
2008-122	Title I Grants to Local Educational Agencies	Procurement, Suspension, and Debarment	84.010	Corrected.
2008-123	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Procurement, Suspension, and Debarment	93.596	Corrected.
2008-124	Title I Grants to Local Educational Agencies	Reporting	84.010	Repeated. Finding No. 2009-82.
2008-125	This finding number was not used.			
2008-126	This finding number was not used.			
2008-127	This finding number was not used.			
2008-128	This finding number was not used.			
2008-129	This finding number was not used.			
2008-130	This finding number was not used.			
2008-131	Title I Grants to Local Educational Agencies	Subrecipient Monitoring	84.010	Corrected.
2008-132	Special Education Cluster	Subrecipient Monitoring	84.027, 84.173	Corrected.

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Summary Schedule of Prior Audit Findings and Management's Corrective Action Plan

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – Office of the State Superintendent of Education (OSSE) – State Educational Agency (SEA) - Cont'd				
2008-133	Career and Technical Education-Basic Grants to States	Subrecipient Monitoring	84.048	Corrective action plan implemented.
2008-134	Improving Teacher Quality State Grants	Subrecipient Monitoring	84.367	Corrective action plan implemented.
2008-135	Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Subrecipient Monitoring	93.596	Partially corrected. Similar Finding No. 2009-84.
District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA)				
2008-136	Title I Grants to Local Educational Agencies	Allowable Costs: Nonpayroll Activities	84.010	Repeated. Finding No. 2009-85.
2008-137	Title I Grants to Local Educational Agencies	Allowable Costs: Payroll Activities	84.010	Repeated. Finding No. 2009-85.
2008-138	Special Education Cluster	Allowable Costs: Payroll Activities	84.027, 84.173	Corrected.
2008-139	This finding number was not used.			
2008-140	Career and Technical Education-Basic Grants to States	Allowable Costs: Payroll Activities	84.048	Not corrected. Similar Finding No. 2009-85.
2008-141	Improving Teacher Quality State Grants	Allowable Costs: Payroll Activities	84.367	Corrected.
2008-142	Title I Grants to Local Educational Agencies	Matching, Level of Effort, Earmarking	84.010	Repeated. Finding No. 2009-87.
2008-143	Special Education Cluster	Matching, Level of Effort, Earmarking	84.027, 84.173	Repeated. Finding No. 2009-88.

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Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
District Agency – District of Columbia Public Schools (DCPS) – Local Educational Agency (LEA) - Cont'd.				
2008-144	Career and Technical Education-Basic Grants to States	Matching, Level of Effort, Earmarking	84.048	Not corrected. Similar Finding No. 2009-87 and 2009-89.
2008-145	Improving Teacher Quality State Grants	Matching, Level of Effort, Earmarking	84.367	Repeated. Finding No. 2009-89.
2008-146	Title I Grants to Local Educational Agencies	Procurement, Suspension, and Debarment	84.010	Repeated. Finding No. 2009-90.
2008-147	Title I Grants to Local Educational Agencies	Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals	84.010	Corrected.