


'GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

TO: Leroy Clay, Associate Chief Financial Officer
Economic Development and Regulation Cluster

FROM: Timothy Barry, Executive Director
Office of Integrity and Oversight 

DATE: February 13, 2020

SUBJECT: Final Report: Audit of the EDRC Reprogramming Process (OIO No. 19-01-22
EDRC)

The Office of Integrity and Oversight (OIO) conducted an Audit of the Economic Development and Regulation Cluster (EDRC) Reprogramming Process. This audit was included in our FY 2019 Audit Plan at the request of the Chief Financial Officer.

The objective of the audit was to determine whether the reprogramming of funds was conducted in accordance with District regulations. Our audit focused solely on the OCFO's role in the reprogramming process during FY's 2017 and 2018.

Overall, we found that the OCFO processes reprogramming requests in accordance with the Office of Budget and Planning procedures. Thank you and your staff for your cooperation during this engagement.

Attachment

cc: Jeff DeWitt, Chief Financial Officer, District of Columbia
Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO
Marshelle Richardson, Chief Risk Officer, OCFO
Joscaira Akhran, Chief Management Officer, EDRC

**Why OIO
Did This
Audit**

The Office of the District of Columbia Auditor (ODCA) reviewed the reprogramming process in an audit of the Department of Housing and Community Development's Housing Production Trust Fund issued March 20, 2018. In their report, the ODCA expressed concern as to the Office of the Chief Financial Officer's (OCFO) role in the reprogramming process and requested the Office of Integrity and Oversight (OIO) perform an assessment of the Economic Development and Regulations Cluster's (EDRC)'s reprogramming process. In the OCFO's response, the Chief Financial Officer stated he would request the OIO conduct an audit of the OCFO's role in the reprogramming process.

Background

The main mission of the Economic Development and Regulation Cluster (EDRC) is to manage the budgets, finance and accounting activities of the agencies under the cluster. EDRC is comprised of 15 agencies, three (3) sub-agencies, and one (1) component unit. For a list of agencies that comprise the cluster, see Exhibit 1.

Fund Reprogramming

The Office of Budget and Planning's (OBP) Standard Operating Procedures describes reprogramming as "the repurposing of budget authority for uses other than originally planned and approved, resulting in a net budget adjustment to the District of zero." The OBP Policies and D.C. Code 47-361 to 47-365 also state that a reprogramming should only be requested when: (1) an unforeseen situation develops; and (2) if postponement until the next appropriation cycle would result in a serious hardship. The approval levels and processing procedures for reprogramming are dependent on the type of Funds and the dollar amount of the request.

Although reprogramming does not result in a change to the overall budgeted funds, agencies are required to follow OBP procedures and provide justification for the reprogramming and availability of funds. Additionally, the agencies must ensure that the reprogramming is approved as stipulated for the types of funds to be reprogrammed.

There are six (6) types of funds that can be reprogrammed: Local Funds - District revenue; Special Purposes Funds allocated for special projects; Capital Improvement Funds designated for Capital Projects;

Federal Grants received from Federal Government Agencies; Private Grants received from private sources; and Inter-District Funds transferred between D.C. Agencies. The Funds are further categorized as follows:

- General Funds (Local Funds, Special Purpose Funds);
- Capital Improvement Funds; and
- Non-General Funds (Federal Grants, Private Grants and Inter-District)

Reprogramming Approval Process

OCFO Agency financial staff coordinate with the Program staff and prepare a Reprogramming Request Memorandum accompanied by a reprogramming budget. The OCFO financial staff are only responsible for ensuring that there is a justification for the reprogramming and funds are available in the budget. The OCFO agency financial staff are required to send General and Capital Improvement Funds reprogramming requests to the Executive Office of the Mayor (EOM), Office of Policy and Legislative Affairs (OPLA), for policy review, regardless of the amount. D.C. Council approval is needed for reprogramming above \$500,000.

Approval Thresholds

The current reprogramming approval thresholds in place for General and Capital Improvement Funds are as follows:

Reprogramming Amount	Level of approval
\$1 to \$49,999	OBP Directors
\$50,000 to \$499,999	DCFO for Budget and Planning
\$500,000 and over	D.C. Council

Source: OBP/OFOS Policies and Procedures

**Objective,
 Scope, and
 Methodology**

The objective of the audit was to determine whether the reprogramming of funds was conducted in accordance with District regulations. Our audit focused solely on the OCFO’s role in the reprogramming process.

Our audit covered all EDRC reprogramming requests processed during FY 2017 and FY 2018. We held a walkthrough with the

EDRC Budget Director to understand the reprogramming process. We requested and received a list of all Reprogramming processed in the two (2) fiscal years. The total reprogramming for FY 2017 and 2018 was 66 and 72 respectively. We limited our selection to reprograms \$100,000 and above, sorted the selected reprograms by Fund Type and included at least one (1) reprogram from each agency in EDRC. We reviewed supporting documentation to ensure compliance with procedures and regulations.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain enough, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS: THE OCFO IS COMPLIANT WITH OBP REPROGRAMMING PROCEDURES

We did not identify any instances of non-compliance with the OBP Procedures. Specifically, our review of the sample of reprogramming for FY 2017 and FY 2018 determined that all requests were properly approved and supported in accordance with OBP Procedures. The OCFO financial staff worked with the Program staff during the reprogramming process to inform the Program staff on the fiscal aspects of reprogramming and ensuring that funds are available for reprogramming. The Program staff are ultimately responsible for programmatic matters such as managing and monitoring the activities of the projects.

Reprogramming requests are required to have the following two (2) documents attached, both signed by the Agency Director, the Associate Chief Financial Officer (ACFO) and the Agency Fiscal Officer: 1) Memorandum Request and 2) Reprogramming Budget Request/SOAR Budget Entry. We selected samples of reprogramming from each fiscal year FY 2017 and FY 2018 and reviewed the supporting documentation for the selected sample to determine whether required documentation was attached, and the approval levels complied with OBP Procedures. The following table shows the breakdown of the total reprograms and the selected samples by Fund Type:

TABLE 1: FY 2017 and FY 2018 Reprogramming Totals and Sample Selection

Fund Type	FY 2017	Sample	FY 2018	Sample
Grant Funds	20	8	13	5
Intra-District	8	1	12	4
Local Funds	20	8	26	11
Special Purpose	17	9	20	10
Paygo Cap Funds	1	1	0	0
Total	66	27	71	30

Source: EDRC Budget Office/OIO Analysis

Other Matters

In our review of the reprogramming process, we noted two (2) matters that warranted further clarification: The number of reprogramming requests by the Department of Housing and Community Development, and the reprogramming policies for federal (grant) funds.

Department of Housing and Community Development Reprogramming Levels

The Department of Housing and Community Development (DHCD) processed the highest number of reprograms during the audit period. For the period under review, DHCD had 25 of the 66 reprogram requests in FY 2017 and 18 of the 71 requests in FY 2018.

To get a better understanding of the number of requests by DHCD, OIO met with DHCD/OCFO officials to discuss the reasons for the excessive reprogramming. We were informed that DHCD is

required to align their budget with the Federal Housing and Urban Development (HUD) Annual Plan which is issued well after the District has set the budget. Due to the time lapse between the District's budget process and the release of the HUD Plan, it is necessary to reprogram funds.

OCFO officials further stated the federal requirements set and provided us with the HUD guidelines 24 CFR part 91.505 Amendments to Consolidated Plan, which allows grant recipients to move funds as necessary, based on their activities. Based on our understanding and review of the regulation, the number of reprogramming requests appeared reasonable.

Reprogramming Approval Guidelines

Our sample contained thirteen (13) Federal (Grant) Fund reprogramming over \$500,000. The supporting documentation was adequate to justify the request; however, the requests were only approved by the Agency Chief Financial Officer (ACFO) without regard to OBP's approval threshold requirements. We were informed that OBP does not approve federal grants reprogramming because federal grants are subject to federal guidelines and regulations. OBP expects the recipient agencies to monitor the reprogramming to ensure compliance with the grant regulations.

Non-General Funds (Federal, Private and Inter-District) reprogramming requests only require the approval of the Associate Chief Financial Officer (ACFO) regardless of the amount. Although we were informed that this is the standard practice by EDRC and OBP officials, we did not find any written guidelines or policy exempting federal grants from the reprogramming approval threshold requirement. OBP and EDRC officials stated that there is an inference in the OFOS Policies and Procedures Manual that Non-Local Funds do not have to be forwarded to the EOM or D.C. Council for approval. OIO will address this matter with OBP.

EXHIBIT 1: EDRC AGENCIES

Agencies:
Alcoholic Beverage Regulation Administration (ABRA)
Commission on the Arts and Humanities (CAH)
Department of Consumer and Regulatory Affairs (DCRA)
Department of Housing and Community Development (DHCD)
Sub-Agencies:
1. DC Housing Authority Subsidy (HY0)
2. Housing Production Trust Fund (UZ0)
3. Housing Production Trust Fund Subsidy (HP0)
Department of Insurance, Securities and Banking (DISB)
Department of Small & Local Business Development (DSLBD)
Office of Motion Picture and Television Development (MPTD)
Office of Planning (OP)
Office of Tenant Advocate (OTA)
Office of the Deputy Mayor for Planning and Economic Development (DMPED)
Office of the People's Counsel (OPC)
Office of Zoning (DC0Z)
Public Service Commission (PSC)
Real Property Tax Appeals Commission (RPTAC)
Taxicab Commission (TC)
Component Unit under EDRC:
Events DC