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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, 2012

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GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Government of the District of Columbia

Independent Auditors' Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2012



GOVERNMENT OF THE DISTRICT OF COLUMBIA

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

September 30, 2012



KPMG LLP
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Washington, DC 20006

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the District of Columbia (the District) as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the District of Columbia Water and Sewer Authority and District of Columbia Housing Financing Agency, discretely presented component units of the District, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in Appendix A to this report. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in finding 2012-02 in Appendix A to this report.

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

The District's written responses to the significant deficiencies and instances of noncompliance identified in our audit are described in Appendix A. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Appendix B presents the status of prior year significant deficiencies and instances of noncompliance.

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

KPMG LLP

January 28, 2013

Appendix A – Significant Deficiencies in Internal Control Over Financial Reporting

Finding 2012-01 – Weaknesses in the District’s General Information Technology Controls

Background:

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

The GITC environment underwent significant transition during fiscal year 2012. The District is currently in the process of modernizing its District-wide System of Accounting and Reporting. As a result, certain deficiencies previously identified will continue to exist, as they will not be remediated until the new system is implemented. Additionally, the District has already remediated other GITC deficiencies during fiscal year 2012. However, as these remediation efforts did not take place until fiscal year 2012 was well under way, the conditions continued to exist during part of the fiscal year and thus are included in this year’s report.

Our fiscal year 2012 findings included the following:

Access to Programs and Data

Conditions:

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

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

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

As this was a finding in both FY2010 and FY2011, OCTO management implemented a revised Password Management Policy, effective August 31, 2012, which included a requirement for account lockout settings and clearly defines the scope of the policy in remediation of the issues noted above. However, a deficiency in the control environment existed for the period during the year under audit of October 1, 2011 through August 31, 2012.

Program Changes

Conditions:

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

Program Development

Conditions²:

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

² Systems Development findings are specific to the Banner application at the University of the District of Columbia in FY 2012.

1. Failure to consistently follow and provide documentation for system development life cycle policies for authorizing, developing, testing, and approving system developments to key financial systems. KPMG noted that formal testing and approval documentation was maintained during FY2012 to support the testing and approval for production migration of program changes; however, the prior year finding (FY2011) was determined to be only partially remediated because the following conditions still existed at the time of our audit:
 - Policies and procedures related to generic account management originally defined by management during FY2012 did not include requirements for logging and monitoring of actions taken under generic accounts. As a result, a series of generic accounts with the ability make changes, including 9 at the database layer, 19 at the operating system layer, and 33 at the application layer, held active access to the environment through FY2012. Of these accounts, a subset were tied to system processes and not procedurally logged into by end users while others were no longer necessary to exist within the environment.
 - While a complete list of patches applied to the application could be provided, changes impacting the functionality of the application made directly through the database during the period could not be produced in order to assess effectiveness of program change controls.
2. Failure to consistently restrict developer access to the production environments of key financial applications in accordance with segregation of duties considerations or, if not feasible, implement independent monitoring controls to help ensure changes applied to the production environment are authorized.

As part of our review in FY2012, Management implemented a policy requiring that the individual responsible for developing the change would not be the same individual responsible for migrating the change; however, the two developers with access to production remain able to circumvent this policy without detective controls to identify if such instances were to occur.

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

As part of our assessment for FY2012, KPMG determined that new policies and procedures were implemented to:

- Govern the use of generic accounts within the environment only when absolutely necessary to support a business or application function, and
- Govern the change management process and the nature and extent of testing and approvals to be documented for program changes made to the application.

*Computer Operations
Conditions:*

1. Failure to establish a monitoring process for identifying and addressing production job failures in several systems.

2. Failure to retain system-generated documentation from the scheduling and processing utility to evidence the completion status of system jobs scheduled through the applications' utilities.
3. Failure to perform official testing to confirm that several system backup tapes can be successfully recovered and restored.

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

Table 1: Summary of Applications Impacted by the Findings

GITC Area	Access to Programs and Data			Program Changes			Computer Operations		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Central and Overarching Applications									
Automated Claims Eligibility Determination System (ACEDS)	Red	Yellow	Yellow	Red	Yellow	Yellow	Grey	Grey	Grey
Computer-Assisted Mass Appraisal System (CAMA)	Grey	Grey	Red	Grey	Grey	Red	Grey	Grey	Yellow
iNovah	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green
PeopleSoft	Red	Yellow	Yellow	Red	Yellow	Yellow	Grey	Grey	Grey
Procurement Automated Support System (PASS)	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Grey	Grey	Grey
System of Accounting and Reporting (SOAR)	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green
Time, Attendance, and Court Information System (TACIS)	Red	Yellow	Yellow	Red	Yellow	Yellow	Grey	Grey	Grey
Tax Administration System (TAS)	Red	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Green
Department of Employment Services									
Budget and Reporting Tracking System (BARTS)	Red	Green	Yellow	Yellow	Green	Yellow	Green	Green	Green
District Online Compensation System (DOCS)	Red	Yellow	Yellow	Red	Yellow	Yellow	Green	Yellow	Green
District Unemployment Tax Administration System	Red	Yellow	Yellow	Red	Yellow	Red	Green	Yellow	Green
United Medical Center									
Meditech Health Care Information System (HCIS)	Red	Yellow	Red	Green	Red	Green	Red	Green	Grey
University of the District of Columbia									
Banner	Grey	Red	Red	Grey	Red	Red	Grey	Grey	Grey

Application In-Scope	
Red	Objective Deemed Ineffective
Yellow	Findings Noted But Objective Deemed Effective
Green	No Findings Noted in Area
Grey	Area Not Fully Tested

Application Not In-Scope	
Red	New Findings Identified
Yellow	PY NFRs Remain
Green	All PY NFRs Remediated

Criteria:

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

Cause/Effect:

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

Recommendations:

We noted that management did remediate several control deficiencies from the prior year. There were 36 NFRs documented in FY2011. Of them:

- 10 represented findings that had been remediated during FY2011 (as part of remediation efforts for FY2010 NFRs);
- 8 were remediated during FY2012; and,
- 9 were partially remediated during FY2012.

We recommend that management continue to perform the remediated control activities put in place. Further, we recommend that management monitor the effectiveness of these controls on a regular and periodic basis going-forward.

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

1. Related to Access to Programs and Data controls, we recommend that management:
 - a. Assess and update or, as applicable, develop and document access management policies and procedures for production applications and underlying infrastructure systems. These policies and procedures should address requirements for clearly documenting user access requests and supervisory authorizations, periodic reviews of the appropriateness of user access by agency business management, timely communication of employee separations/transfers, and disablement/removal of the related user access. Management should formally communicate policies and procedures to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.
 - b. Develop and implement controls that establish organizational and logical segregation between program development roles, production administration roles, and business end user roles among different individuals or, independently performed monitoring of the activities of users provided with conflicting system access over the activities of the developers (and other individuals) with administrative access that require the documentation of monitoring activities as well as follow up on any suspicious behavior within the system.
 - c. Restrict the use of generic IDs or, if such access is required, implement independent monitoring of the activities performed using generic IDs.
 - d. Develop and formally document the physical access management policy and procedures for all server rooms. We recommend that these include, at a minimum, procedural and documentary requirements for:
 - i. Requesting and approving physical access;
 - ii. Timely disablement/removal of physical access rights during instances of employee separations; and
 - iii. Performing periodic reviews of access in consideration of users' ongoing need to retain physical access, and the modification of any updates required as a result of inappropriate access identified during the review process.
2. Related to Program Change controls, we recommend that management:
 - a. Develop and implement change management processes and controls that establish one or more of the following:
 - i. Organizational and logical segregation of program development roles from production system and database administration roles among different individuals; and

- ii. Implementation of one or more independently operated monitoring controls over the activities of the developers (and other individuals) with administrative access that require the documentation of monitoring activities as well as follow up on any suspicious behavior within the system. Documentation of these monitoring controls should be maintained and include sign-off of the review as well as notations as to the appropriateness of the actions taken by the developers within the database. Further, any suspicious activity, such as modifications to functionality or data without corresponding change request approvals, should be followed-up upon, as necessary.
 - iii. Additionally, management should continue to document the performance of User Acceptance Testing (UAT).
 - b. Configure settings or implement monitoring tools to log changes made to application functionality, including all configuration changes.
- 3. Related to Program Development Controls, we recommend that management:
 - a. Develop and implement program development processes and controls that establish one or more of the following:
 - i. An evaluation of the generic accounts that exist and documentation of the purpose of each generic account required to remain active, if any. Furthermore, for generic accounts that are required to remain active, we recommend management implement a formal process to approve and document each access request to generic accounts and perform a documented periodic review of generic account activity.
 - ii. The implementation of procedural and documentary requirements for:
 - Recording the nature of each change being applied;
 - Evaluating the impact and risk of each change relative to objective rating criteria;
 - Approving (and documenting such approvals of) changes; and
 - Validating the functionality/system impact of each change via pre-production testing in a model environment.
- 4. Related to Computer Operations controls, we recommend that management:
 - a. Implement any required changes to support an extended retention of job processing logs in support of audit requirements. Additionally, we recommend that management continue to save daily Excel reports produced by systems to limit the impact of any future archival issues.
 - b. Document the completion of the new process put in place to monitor open application incidents reported to the OCFO Help Desk that are forwarded to the TSG, and also to ensure that they are remediated within a defined time period that is acceptable to application owners.
 - c. Implement policies and procedures to ensure that backup tapes are officially tested on a semi-annual basis to confirm successful recovery and restoration of data.

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

Management Response:

The District concurs with the auditor's findings and agrees that there are weaknesses in its general information technology controls. Over the last several years, the District has engaged in an extensive remediation process to address and resolve the reported findings and to strengthen internal controls related to information technology. While much improvement has been made as a result of that effort, we recognize that there are areas in which improvement is still needed. Therefore, the District will continue its remediation activities and will, as part of that process, incorporate the recommendations made by the auditor as we work to improve controls related to: Access to Programs and Data, Program Changes, Program Development, and Computer Operations.

Finding 2012-02 – Weaknesses in the District's Procurement and Disbursement Controls and Non-compliance with Laws and Regulations

Conditions:

During our FY 2012 testwork, we noted that in order to be as efficient and effective as possible, the District has established District-wide policies and procedures to procure goods and services and to make payments for those goods and services at the Office of Contracts and Procurement (OCP), as well as at those agencies that have independent procurement authority. Further, these policies and procedures serve to ensure the District's compliance with various laws and regulations governing procurements and payments, such as the Procurement Practices Act and the Quick Payment Act.

OCP has implemented a comprehensive, multi-year remediation plan to address previously identified deficiencies and has completed the steps scheduled for FY 2012. While these remediation efforts resulted in improvements within the Procurement process, we still noted deficiencies that continue to be repeated from previous years during FY 2012. Specifically, we noted the following:

For our sample of sole-source procurements we noted:

- a. For 10 of 38 sole source procurements, we noted that there was not sufficient documentation to validate the sole source method was justified.
- b. For 1 of 38 sole source procurements tested, the Council approval was not available for review.
- c. For 1 of 38 sole source procurements, the Determination and Findings was not available for review.

- d. For 1 of 38 sole source procurements, the purchase order amount is greater than the contract amount by \$150,000.
- e. For 1 of 38 sole source procurements, the contract did not cover the period of the purchase order.

Pursuant to Section 201 (b) of the PPRA, the Department of General Services (DGS) is an Independent Agency and is authorized to exercise procurement authority to carry out its procurement independent of the Office of Contracting and Procurement (OCP). However, these procurements are still classified under OCP in the general ledger and as such were included in our testing. Of the 38 sole-source procurements tested, 2 of them related to DGS. Of the 2 we noted the following:

- a. For 1 of 2 sole source procurements, the procurement file was not available for review.
- b. For 1 of 2 sole source procurements, the contractor's delegation of authority was not available for review.

For our sample of emergency procurements tested, we noted:

- a. For 5 of 13 emergency procurements we noted that there was not sufficient documentation to validate the emergency procurement method was justified.
- b. For 1 of 13 emergency procurements, the determination and finding (D&F) was not made available for review.
- c. For 3 of 13 emergency procurements, the period of performance exceeded the 120 day maximum duration requirement for an emergency procurement.

Pursuant to Section 201 (b) of the PPRA, the Department of General Services (DGS) is authorized to exercise procurement authority to carry out its procurement independent of OCP. However, these procurements are still classified under OCP in the general ledger and as such were included in our testing. Of the 13 procurements tested, we noted 1 of them related to DGS. Specifically, we noted:

- a. For the 1 DGS emergency procurement, the contracting officer's delegation of authority was not available for review.

For our sample over competitive procurements executed during the year:

- a. For 30 of 131 competitive procurements, there was no evidence that the procurement went through the competitive process.
- b. For 2 of 131 competitive procurements, the Council approval was not available for review.
- c. For 15 of 131 competitive procurements, the evidence of the excluded party list was not available for review.

- d. For 1 of 131 competitive procurements, evidence of the contractor compliance with the District tax code was not available for review.
- e. For 1 of 131 competitive procurements, there were insufficient quotes available for review for small purchases.
- f. For 1 of 131 competitive procurements, the contract was missing the authorizing signature.
- g. For 2 of 131 competitive procurements, the contract was not available for review.
- h. For 1 of 131 competitive procurements, the contract was not available for review.

As noted in DC ST 7-3005.01, we noted that the Director of the Department of Health is authorized to exercise procurement authority to carry out its procurement independent of OCP. However, these procurements are still classified under OCP in the general ledger and as such were included in our testing. Of the 131 competitive procurements tested, we noted 9 of them related to Human Care Contracts. Of these 9 we noted the following:

- a. For 7 of 9 agreements, the determination and finding was not available for review.
- b. For 3 of 9 agreements, the period of performance noted in the agreement did not cover the period being audited.
- c. For 1 of 9 agreements, the agreement was not available for review.
- d. For 1 of 9 agreements, the Attorney General legal review/approval was not available for review.
- e. For 2 of 9 agreements, evidence of the excluded party list was not available for review.
- f. For 4 of 9 agreements, evidence of the contractor compliance with the District tax code was not available for review.

Pursuant to Section 201 (b) of the PPRA, the Department of General Services (DGS) is authorized to exercise procurement authority to carry out its procurement independent of OCP. However, these procurements are still classified under OCP in the general ledger and as such were included in our testing. Of the 131 competitive procurements tested, we noted 2 of them related to DGS. Specifically we noted:

- a. For 2 of 2 competitive procurements, there were insufficient quotes available for review for the small purchases.

During our testing over the District's three Independent Agency's procurement transactions, we tested over 100 procurements and noted exceptions related to the Department of General Services (DGS) and Office of the Chief Financial Officer. Specifically, we noted the following:

For sole-source procurements, we noted that:

- a. For 6 of 25 sole source procurements, there was no delegation of authority available for review. All 6 exceptions related to the Department of General Services.
- b. For 2 of 25 sole source procurements, all relating to the Department of General Services, the contract was not available for review.
- c. For 2 of 25 sole source procurements, all relating to the Department of General Services, there was no evidence of compliance with the District's tax code.
- d. For 2 of 25 sole source procurements, the method for use of sole-source procurement was not justified. Both exceptions related to the Office of the Chief Financial Officer.

For emergency procurements we noted that:

- a. For 16 of 16 DGS emergency procurements, the contracting officer's delegation authority was not available for review.
- b. For 6 of 16 DGS emergency procurements, the length of procurement is greater than 90 days.
- c. For 3 of 16 DGS emergency procurements, there is no evidence as to whether the Agency verified whether or not the vendor was suspended or debarred.
- d. For 3 of 16 DGS emergency procurements, there is no evidence of compliance with the District's tax code.

For competitive procurements we noted that:

- a. For 78 of 78 DGS competitive procurements, the contracting officer's delegation of authority was not available for review.
- b. For 2 of 78 DGS competitive procurements, the legal sufficiency reviews were not available for review.
- c. For 9 of 78 DGS competitive procurements, the evidence to support that the procurement went through a competitive process were not available for review.
- d. For 8 of 78 DGS competitive procurements, the number of quotes available for review was not sufficient per DGS policy.

- e. For 4 of 78 DGS competitive procurements, the evidence supporting that the search for the excluded and debarred was performed was not available for review.
- f. For 8 of 78 DGS competitive procurements, the signed contract document was not available for review.
- g. For 4 of 78 DGS competitive procurements, the evidence supporting that the vendor was compliant with the District tax compliance was not available for review.

During our testing over purchase card (P-card) transactions and monthly P-card statement reconciliations, we noted the following deficiencies:

- a. For 22 of the monthly reconciliations totaling \$3,304,205 of the 36 monthly reconciliations tested totaling \$4,349,614, we noted that the reconciliations were not reviewed and approved by the approving official in a timely manner in accordance with OCP Policy No.2009-01. Of the 22 exceptions we noted the following Agencies did not comply with the policy:
 - Fire and Emergency Medical Services (7)
 - Metropolitan Police Department (3)
 - Office of Tenant Advocate (3)
 - Office of the Mayor (4)
 - Office of the Secretary (1)
 - DC Public Library 1)
 - Office of Contracting & Procurement (3)
- b. For 5 individual transactions totaling \$15,090 out of 40 transactions tested totaling \$252,456, there was not sufficient documentation to support the purchase or validate that it was for an approved transaction. All 5 exceptions were from the Office of Tenant Advocate.
- c. For 2 individual transactions totaling \$11,850 out of 40 transactions tested totaling \$252,456, we noted that the authorizer approved purchases exceeding the \$2,500 single and \$10,000 cycle transaction limit, these exceptions related to the Office of the Mayor and the Metropolitan Police Department.
- d. For 3 monthly statements totaling \$134,343 of 36 monthly statements totaling \$4,349,614, we noted that 2 cardholders exceeded their approved cycle limit for the months reviewed. These exceptions related to Fire and Emergency Services and the Office of Tenant Advocate.
- e. For 1 transaction totaling \$100,411 out of 40 transactions tested totaling \$252,456, the cardholder exceeded the small purchase limit of \$100,000 per PPRA Sec. 407 small purchase procurements. This exception related to the Office of Contracting and Procurement.

In our testing of procurement and disbursement transactions at the District of Columbia Public Schools (DCPS), we noted the following:

- a. For 3 of 180 purchase order files for payments totaling \$13,673, the files did not originally include a search for federal debarment. DCPS subsequently provided a note stating that the system was down on that day, but since the document was not originally in the file, we cannot verify that a search was performed during the procurement process.
- b. For 1 of 64 contract files for a payment totaling \$11,492, the file did not include the required Determination and Findings.
- c. For 1 purchase order and contract file for payment totaling \$382, the purchase order file and contract file was not provided by DCPS.

In our testing of compliance with the District of Columbia Quick Payment Act, we noted that:

- a. 1 of 67 District payments (i.e. non-DCPS) selected for testing were not paid timely in accordance with the Quick Payment Act.
- b. 100 of 426 DCPS payments selected for testing were not paid timely in accordance with the Quick Payment Act.

Criteria:

The Procurement Practices Act indicates the following:

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

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

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

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

procurement is proposed, the contracting officer shall prepare a written determination and findings (D&F) that sets forth the justification for the emergency procurement.”

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

According to the District Purchase Card program policies and procedures:

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

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

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

27 DCMR chapter 15

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

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

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

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

Cause/Effect:

District agencies are not adhering to the established policies and procedures governing creation and maintenance of procurement documentation and the payment of vendor obligations, which may cause noncompliance with the Procurement Practices Act and the Quick Payment Act. Additionally, internal controls need to be improved to ensure compliance with all procurement laws and regulations.

Recommendation:

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

Management Response:

Consistent with the Independent Auditor's view of measurable improvements in procurement practices at the Office of Contracting and Procurement (OCP), for the fifth consecutive year, OCP recorded a year-to-year decline (**7%**) in its total number of audit findings. While one audit finding is *one too many*, this administration is encouraged by data showing a sustained reduction in the *prevalence* and *severity* of noncompliance issues across the many thousands of requisitions processed yearly by OCP's procurement staff.

As noted by the Independent Auditor, a considerable number of audit findings were from contracts awarded in prior years. In fact, a review of the audit sample shows that contracts awarded before calendar year (CY) 2011 (**58 percent** of deficient contracts) accounted for **70 percent** of OCP's FY 2012 audit findings.

The Independent Auditor also cited several instances where Sole Source and Emergency Procurements were "not justified". While it might appear that OCP did not comply with established regulations, the root cause for selecting the sole source and emergency procurement methods was to avoid disruptions to critical government operations. The regulations allow for

this, and to the extent that this was a factor, it should be viewed that affected contracting officers were reasonably exercising their professional judgment.

What is at issue here is when the emergency or sole source methods are repeatedly exercised, with the same vendor, over an extended period. This scenario is not unique to OCP and highlights the concern around the effectiveness of procurement planning in general, and how poor planning could hinder competitive practices, give the appearance of unfair advantages to select vendors, or result in missed opportunities to obtain the best value and price for services rendered beyond the final option year of a contract.

The Independent Auditor noted the shared responsibility of acquisition planning efforts. The District agrees with this assessment and will take measures to foster collaboration between agencies and their respective contracting offices to improve the procurement process – with regards to forecasting and fulfilling needs - and to better mitigate associated risks.

Finally, OCP has been responsive to the Independent Auditor’s recommendation in the FY 2011 Yellow Book Report to continue to implement, monitor, and report on the results of its deficiency remediation plan to both the Mayor and the Chief Financial Officer. In FY 2012, OCP’s Office of Procurement Integrity and Compliance (OCP-OPIC) coordinated District-wide remediation activities, and performed limited testing of transactions at 8 independent agencies cited in the prior year report.

As noted in last year’s management response, although the percentage share of OCP’s CAFR deficiencies was down (**41%** in FY11 as compared to **68%** in FY10), District-wide totals were trending upwards, requiring cooperation between OCP and independent agencies. Consequently, the objectives of OCP-OPIC activities were to raise awareness, and provide those charged with governance the data needed to make operational adjustments as needed.

This year’s results are no different. OCP’s share of District-wide deficiencies has fallen (**29%** in FY 2012 as compared to **41%** in FY 2011); while the total number of procurement audit findings for the District has risen. Coordination of remediation actions and the sharing of best practices must continue to improve results across the entire procurement continuum.

Finding 2012-03- Weaknesses in the District’s Internal Controls Surrounding Tax Revenue Accounting and Reporting

Conditions:

During our testing over the District’s Tax Revenue, which is under the jurisdiction of the Office of Tax and Revenue (OTR), we noted the following:

- a. The Office of Financial Operations and Systems (OFOS) relies upon the District Office of the Attorney General (OAG) to provide estimates of the amounts to be considered for accrual related to all outstanding claims and judgments in the District’s financial statements. This review historically only covers those claims and judgments in excess of \$200,000. Individual settlements associated with Superior Court Appeals are usually less

than the \$200,000 threshold used. As a result, most outstanding Superior Court Appeals related to property tax assessments are not being assessed for inclusion in the District's fiscal year end claims and judgment accrual. This resulted in an understatement of the accrual due to property tax assessments of approximately \$58 million as of September 30, 2012. District management subsequently recorded an adjustment to correct for this understatement in its 2012 government-wide financial statements.

- b. OTR records accounts receivables for Sales & Use and Personal Income taxes at the fully realizable amount instead of applying the one-year availability criteria to the balances. This resulted in an understatement of deferred revenue of approximately \$5.5 million and \$17.4 million for Sales & Use and Personal Income taxes, respectively.
- c. OTR's Real Property Tax Administration (RPTA) tracks information related to real property assessment appeals with the exception of those appeals that are remanded to District Superior Court in FoxPro system. RPTA loads FoxPro information into the Integrated Tax System (ITS) through a process whereby RPTA personnel export a database file from FoxPro and upload the file. ITS is programmed to automatically transfer the FoxPro database file from the network folder to ITS. We noted that there is no formal review process in place to check the completeness and accuracy of the information uploaded into ITS from FoxPro.
- d. During our internal control testwork over real property assessment appeals, 2 adjustments out of 40 adjustments tested were not approved by the Chief Assessor as required by the Appeals Divisions policies and procedures.
- e. Monthly reconciliations between certain tax revenue subsidiary records and the general ledger contained un-reconciled differences that were not identified during the supervisory review of the reconciliation. Of 15 reconciliations tested, we noted 2 reconciliations with combined unreconciled differences of \$10,865. In addition, we noted that for 1 of the reconciliations, the supervisory review was not performed timely.

Criteria:

Yellow Book, Appendix I, section A1.08 d., states that management at a State and Local government entity is responsible for *“establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;”*

District of Columbia- Office of the CFO, Policies and Procedures, Section 35303003.40 states that the Refund Control Unit (RCU) of RAA is responsible for *“tracking, reviewing, qualifying, approving, and recording refund disbursement requests. The RCU manager has the overall responsibility for managing the staff and the process related to refund disbursements. The Office of Finance and Treasury (OFT) produces and disburses check and/or direct deposits in response to RAA/RCU requests.*

District of Columbia- Office of the CFO, Policies and Procedures, Section 35301009.40 states that RAA is responsible for *“having the refund reconciliation completed and for journaling all outstanding items that are on the final reconciliation of the quarter.”*

The Assessment Division within the Real Property Tax Administration has established requirements as follows:

- For all changes from the current to proposed (new) Estimated Market Values (EMV) on property between 10% and 39% or between \$1 million and \$4 million, manual approval of the Hearing Officer is required in addition to approval by the Appraiser and Unit Supervisor.
- For changes from the current to proposed (new) EMV on property for amounts that exceed 40% and \$4 million, manual approval of the Chief Assessor is required in addition to approval by the Appraiser, Unit Supervisor, and Hearing Officer.

GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* states that

“When the modified accrual basis of accounting is used, revenues resulting from nonexchange transactions should be recognized as follows: Derived tax revenues. Recipients should recognize revenues in the period when the underlying exchange transaction has occurred and the resources are available.”

The Committee of Sponsoring Organizations of the Treadway Commission- Internal Control Integrated Framework states that, *“The Internal control systems need to be monitored--a process that assesses the quality of the system’s performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.”*

Cause/Effect:

Policies, procedures and controls need to be improved to address the noted deficiencies. Failure to address these noted deficiencies could result in misstatements in the fund and government-wide financial statements.

Recommendations:

We recommend that OTR strengthen its policies, procedures and controls to ensure that the above noted deficiencies are addressed.

Management Response:

The Office of Tax and Revenue (OTR) continues to build an internal control program that is based on risk identification and self-assessment, with an awareness of the value of implementing certain controls while delaying the implementation of others.

Management concurs with the reported findings, and will revise procedures and reinforce them with staff as appropriate. For those findings that relate directly to the District's annual financial statements, OTR will make the recommended changes to the accounting treatment to be applied. OTR has already begun to improve the methodology and data used to estimate the government-wide financial statement liability, even though relatively few Superior Court real property tax appeal cases are decided each year outside of those for which the District participates in a settlement agreement. With regard to the treatment of accounts receivable, although OTR has consistently applied the same methodology from year-to-year, it has developed a procedure for determining Sales & Use and Personal Income tax receivables expected to be recognized as deferred revenue.

In October 2012, OTR implemented new processes and controls surrounding the upload of data from FoxPro into the Integrated Tax System and automation to enforce tiered approvals for assessment changes resulting from first level appeals. OTR also implemented an automated tiered approval process within the First Level Appeals Tracking Systems, which significantly reduces the risk that a valuation change could be made without proper authorization.

OTR will reinforce requirements for supervisory review and periodic reconciliation of subsidiary ledgers and tracking systems to SOAR entries to prevent and detect data entry errors.

Finding 2012-04- Weaknesses in the District's Financial Reporting for Capital Assets

Conditions:

During our FY 2012 testwork, we noted that the District does not have uniform, District-wide policies and procedures for the identification of completed capital projects to ensure that projects are transferred from Construction-in-Progress (CIP) to capital assets in service in the period in which the assets are placed in operation consistently across District agencies. We noted that the methods currently used by agencies to account for CIP varies widely throughout the District, which results in a highly decentralized and inconsistently applied capital assets financial reporting process. We also noted that the District does not have a formal procedure in place to monitor CIP balances to ensure timely transfer of costs to capital assets upon project completion. Additionally, a detail of current capital expenditures and costs associated with completed projects transferred to capital assets by project is not available at the Office of Financial Operations and Systems (OFOS), although District agencies transfer CIP based on the completion of a project.

As a result of these deficiencies, during our testwork over a sample of 25 projects totaling approximately \$966 million transferred to CIP during FY 2012, and a sample of 25 projects

totaling approximately \$729 million remaining in CIP at September 30, 2012, we identified the following errors in capital assets and CIP balances:

- a. \$365.4 million reported in CIP as of September 30, 2012 related to projects that were completed in prior fiscal years and should have been transferred to capital assets prior to FY 2012. We also noted that accumulated depreciation for these assets was understated by approximately \$17.8 million, as depreciation should have started accruing in prior years when the related assets were placed in operation. We proposed an audit adjustment to management, who corrected the error in the 2012 governmental activities financial statements.
- b. \$311 million transferred to capital assets in the current year that related to projects completed in prior fiscal years. We noted that accumulated depreciation for these capital assets was understated by approximately \$12.9 million, as depreciation should have started accruing in prior years when the related assets were placed in operation. We proposed an audit adjustment to management, who corrected the error in the 2012 government wide financial statements.
- c. Additionally, we noted that the internal controls in place over the review of Agency submitted Closing Packages, performed by OFOS, are not operating effectively to ensure timely and accurate reporting of District capital asset additions for financial reporting. Specifically, we noted:
 - For 4 of 8 agency Closing Packages, the Closing Package review checklist was signed by the OFOS reviewer prior to the review being completed,
 - For 2 of 7 Agency Closing Packages, Closing Package was prepared and reviewed by the same individual in OFOS,
- d. Of a sample of 42 capital expenditures totaling \$103.8 million, we noted for 2 sample items tested totaling \$7.5 million, supporting documentation for the expenditure was not provided for \$2,322 of the sampled amount.

Criteria:

GASB Statement No. 34 - Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: According to Governmental Accounting Standards Board (GASB) Statement No. 34, paragraph 19, capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. In compliance with GASB No. 34, Governments should report all capital assets, including infrastructure assets, in the government-wide statement of net assets and generally should report depreciation expense in the statement of activities.

Cause/Effect:

The District has not developed sufficient policies and procedures to ensure costs transferred from CIP are tracked on a project level and that the amounts transferred are properly supported. Furthermore, the District lacks a complete and formalized capital asset financial reporting policy that includes requirements for proper identification, tracking and recording of capital expenditures and capital asset additions and disposals, including transfers from CIP to fixed assets, to ensure complete and accurate recording of capital assets in the government-wide financial statements.

Without effectively designed and implemented internal controls over the financial reporting process for capital assets, misstatements in capital asset balances may not be prevented or detected in a timely manner.

Recommendations:

We recommend that the District strengthen their internal controls over the financial reporting process for capital assets to ensure that capital asset balances are complete and accurate as of the fiscal year end. This should include the following:

- Implementing a centralized project accounting system that is fully integrated with the general ledger that allows capital asset transactions to be tracked at an invoice and project level.
- Developing District-wide policies and procedures for identifying completed capital projects to ensure that projects are transferred from CIP to capital assets in the period in which the assets are placed in operation.
- Developing District-wide policies and procedures for identifying capital project expenditures that are non-capital in nature and ensuring such expenditures are expensed in the period incurred.
- Providing training to District agencies regarding policies and procedures for determining proper classification of capital expenditures and timely transfer of completed projects to fixed assets to reinforce that such procedures are uniformly applied across the District.
- Reconciliation of agency fixed asset activity to the general ledger on a periodic basis, rather than only at year-end.
- Adherence to existing internal control procedures for the review and approval of agency-reported closing package information to ensure that the closing packages are submitted timely and that the reported capital asset data is complete and accurate.

Management Response:

The District concurs with the findings as noted and will implement measures to mitigate the reported deficiencies. The OCFO's Office of Financial Operations and Systems is in the process of developing policies and procedures for closing out capital projects. It is anticipated that such policies and procedures will be finalized and implemented during fiscal year 2013. To the extent deemed to be necessary, training will also be held to ensure that responsible parties are knowledgeable of the required procedures. Implementation of the procedures for capital projects along with training should result in improved standardization of practices among District agencies. Other measures will be implemented as needed to improve the District's processes for: reconciling agency capital asset activity to the general ledger; and reviewing and approving agencies' capital assets closing packages.

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

Prior Year Finding #	Prior Year Finding Title	Prior Year Finding Classification	Current Status
2011-01	Weaknesses in the District’s General Information Technology Controls related to: -Access to Programs and Data -Program Changes -Program Development -Computer Operations	Significant Deficiency	Repeated as a significant deficiency in fiscal year 2012
2011-02	Weaknesses in the District’s Procurement and Disbursement Controls related to: -Lack of supporting Documentation -Inadequate approvals -Non-compliance with emergency criteria -Pcard reconciliations -Quick Payment Act	Significant Deficiency	Repeated as a significant deficiency in fiscal year 2012



GOVERNMENT OF THE DISTRICT OF COLUMBIA

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

Year Ended September 30, 2012



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

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

Compliance

We have audited the District of Columbia's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit. The District's basic financial statements include the operations of the District of Columbia Water and Sewer Authority (WASA) and the District of Columbia Housing Finance Agency (HFA), which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2012. Our audit, described below, did not include the operations of WASA and HFA, because these component units engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Except as discussed in the following two paragraphs, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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.

In addition, we were unable to obtain sufficient documentation supporting the compliance of the District with the Child Nutrition Cluster program (CFDA# 10.553, 10.555, 10.556, 10.559) regarding the Cash Management and Reporting compliance requirements as discussed in Finding 2012-12 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the District's compliance with those requirements by other auditing procedures. As described in Table I, and more fully in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding Procurement and Suspension and Debarment that are applicable to its Child Nutrition program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the District's compliance with the requirements of the Child Nutrition Cluster program regarding Cash Management and Reporting, and except for the noncompliance described in Table I, and more fully in the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster program for the year ended September 30, 2012.



In addition, we were unable to obtain sufficient documentation supporting the compliance of the District with the HIV Emergency Relief Project Grants (HIVER) program (CFDA# 93.914) regarding the Matching, Level of Effort, and Earmarking, and Reporting compliance requirements as discussed in Findings 2012-130 and 2012-131 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the District’s compliance with those requirements by other auditing procedures. As described in Table I, and more fully in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding Activities Allowed or Unallowed & Allowable Costs/Cost Principles and Subrecipient Monitoring that are applicable to its HIVER program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the District’s compliance with the requirements of the HIVER program regarding Matching, Level of Effort, and Earmarking, and Reporting and except for the noncompliance described in Table I, and more fully in the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the HIVER program for the year ended September 30, 2012.

Table I - MATERIAL NONCOMPLIANCE NOTED IN PROGRAMS WITH A DISCLAIMER OF OPINION

Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Procurement and Suspension and Debarment	2012-13
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-128
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2012-133

As described in Table II, and more fully in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding Activities Allowed or Unallowed & Allowable Costs/Costs Principles, Eligibility, Period of Availability, Reporting, and Special Tests & Provisions—Disbursements to or on Behalf of Students, Special Tests & Provisions—Enrollment Reporting, Special Tests & Provisions—Borrower Data Transmissions and Reconciliation, Special Tests & Provisions—Verification, and Special Tests & Provisions—Return of Title IV Funds that are applicable to its Student Financial Assistance Cluster program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program. In our opinion, because of the



effects of the noncompliance described above and in Table II, the District did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster program.

Additionally, as described in Table II, and more fully in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding Activities Allowed or Unallowed & Allowable Costs/Cost Principles, Eligibility, Matching, Level of Effort and Earmarking, and Special Tests & Provisions—ARRA Requirements R1 and R2 that are applicable to its Adoption Assistance program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program. In our opinion, because of the effects of the noncompliance described above and in Table II, the District did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on the Adoption Assistance program. As described in Table III, and more fully in the accompanying schedule of findings and questioned costs, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

In addition, as described in Table II, and more fully in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding Activities Allowed or Unallowed & Allowable Costs/Cost Principles, Eligibility, Matching, Level of Effort and Earmarking, Procurement and Suspension and Debarment, and Subrecipient Monitoring that are applicable to its HIV Care Formula Grants program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program. In our opinion, because of the effects of the noncompliance described above and in Table II, the District did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on the HIV Care Formula Grants program. As described in Table III, and more fully in the accompanying schedule of findings and questioned costs, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Table II - MATERIAL NONCOMPLIANCE RESULTING IN ADVERSE OPINION

Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-54
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Eligibility	2012-54
Education	84.007, 84.033, 84.063, 84.268,	Student Financial Assistance Cluster	Period of Availability	2012-55



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
	93.407, 93.925			
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Reporting	2012-56
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions- Disbursements to or on Behalf of Students	2012-61
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Enrollment Reporting	2012-59
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Borrower Data Transmissions and Reconciliation	2012-60
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Verification	2012-57
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Return of Title IV Funds	2012-58
Health and Human Services	93.659	Adoption Assistance	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-108 and 110
Health and Human Services	93.659	Adoption Assistance	Eligibility	2012-110
Health and Human Services	93.659	Adoption Assistance	Matching, Level of Effort, Earmarking	2012-110
Health and Human Services	93.659	Adoption Assistance	Special Tests & Provisions – ARRA Requirements R1	2012-111



Federal Awarding Agency	C DFA Number (s)	Federal Program	Compliance Requirement	Finding Number
			and R2	
Health and Human Services	93.917	HIV Care Formula Grants	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-119 and 120
Health and Human Services	93.917	HIV Care Formula Grants	Eligibility	2012-121 and 122
Health and Human Services	93.917	HIV Care Formula Grants	Matching, Level of Effort, Earmarking	2012-123, 125 and 126
Health and Human Services	93.917	HIV Care Formula Grants	Procurement and Suspension and Debarment	2012-06 and 07
Health and Human Services	93.917	HIV Care Formula Grants	Subrecipient Monitoring	2012-127

Table III - OTHER INSTANCES OF NONCOMPLIANCE NOTED IN PROGRAMS WITH AN ADVERSE OPINION

Federal Awarding Agency	C DFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.659	Adoption Assistance	Cash Management	2012-109
Health and Human Services	93.917	HIV Care Formula Grants	Cash Management	2012-124
Health and Human Services	93.917	HIV Care Formula Grants	Period of Availability	2012-120

Also, as described in Table IV, and more fully in the accompanying schedule of findings and questioned costs, the District did not comply with certain requirements regarding the compliance requirements in Table IV 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.



TABLE IV- MATERIAL NONCOMPLIANCE RESULTING IN QUALIFIED OPINION

Federal Awarding Agency	CDEA Number (s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions – ADP System for SNAP	2012-09
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement and Suspension and Debarment	2012-06 and 07
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2012-18 and 21
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Special Tests and Provisions – Review of Food Instruments and Cash-Value Vouchers to Enforce Price Limitations and Detect Errors	2012-19
Commerce	11.557	Broadband Technology Opportunities Program	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-27
Commerce	11.557	Broadband Technology Opportunities Program	Cash Management	2012-22 and 23
Commerce	11.557	Broadband Technology	Davis-Bacon Act	2012-25



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
		Opportunities Program		
Commerce	11.557	Broadband Technology Opportunities Program	Procurement and Suspension and Debarment	2012-06, 07 and 26
Commerce	11.557	Broadband Technology Opportunities Program	Reporting	2012-24
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-31
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Reporting	2012-28, 32 and 33
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2012-34
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Special Tests and Provisions – Rehabilitation	2012-30
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Special Tests and Provisions-ARRA Requirement R3	2012-34
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed & Allowable Costs/Cost	2012-40



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
			Principles	
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management	2012-38
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Matching, Level of Effort, Earmarking	2012-41
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Subrecipient Monitoring	2012-42
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Reporting	2012-44 and 45
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Subrecipient Monitoring	2012-46
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Special Tests & Provisions – Housing Quality Standards	2012-47
Labor	17.225	Unemployment Insurance	Reporting	2012-49
Education	84.010, 84.389	Title I	Special Tests and Provisions – Participation of Private Schools	2012-66
Education	84.010, 84.389	Title I	Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals	2012- 67
Education	84.027, 84.173, 84.391, 84.392	Special Education	Matching, Level of Effort, Earmarking	2012-71



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Education	84.126, 84.390	Vocational Rehabilitation	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-72 and 73
Education	84.126, 84.390	Vocational Rehabilitation	Eligibility	2012-73
Education	84.126, 84.390	Vocational Rehabilitation	Matching, Level of Effort, Earmarking	2012-75
Education	84.367	Improving Teacher Quality	Special Tests and Provisions – Participation of Private Schools	2012-79
Education	84.367	Improving Teacher Quality	Special Tests and Provisions – Assessment of Need	2012-80
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-81
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Reporting	2012-84 and 86
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan	2012-84
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Penalty for Refusal to Work	2012-86



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.563	Child Support Enforcement	Procurement and Suspension and Debarment	2012-06
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Eligibility	2012-97
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Subrecipient Monitoring	2012-100
Health and Human Services	93.600, 93.708	Head Start	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-89 and 90
Health and Human Services	93.600, 93.708	Head Start	Cash Management	2012-05, 91 and 92
Health and Human Services	93.600, 93.708	Head Start	Reporting	2012-95
Health and Human Services	93.658	Foster Care – Title IV-E	Procurement and Suspension and Debarment	2012-104
Health and Human Services	93.658	Foster Care – Title IV-E	Subrecipient Monitoring	2012-106
Health and Human Services	93.658	Foster Care – Title IV-E	Special Tests and Provisions – ARRA Requirements R1 and R2	2012-107
Health and Human Services	93.767	Children’s Health Insurance Program	Eligibility	2012-112, 113 and 114
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Eligibility	2012-113, 114 and 118
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Procurement and Suspension and Debarment	2012-06 and 07



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Special Tests and Provisions- Utilization Control and Program Integrity	2012-117
Homeland Security	97.067	Homeland Security Grant Program	Procurement and Suspension and Debarment	2012-06 and 07

In our opinion, except for the noncompliance described in Table IV, and more fully in the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2012, other than in the Child Nutrition Cluster, the HIV Emergency Relief Project Grants program, the Student Financial Assistance Cluster, the Adoption Assistance program, and the HIV Care Formula Grants program. As described in Table V, and more fully in the accompanying schedule of findings and questioned costs, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements in Table V, which are required to be reported in accordance with OMB Circular A-133.

TABLE V- OTHER INSTANCES OF NONCOMPLIANCE

Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Cash Management	2012-05
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions – Quality Control Unit	2012-08
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-17



Federal Awarding Agency	CDEA Number (s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management	2012-05 and 20
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Cash Management	2012-05 and 29
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Davis-Bacon Act	2012-36
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2012-35
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Housing Quality Standards	2012-39
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Cash Management	2012-05 and 43
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Matching, Level of Effort, Earmarking	2012-44
Labor	17.225	Unemployment Insurance	Cash Management	2012-05
Transportation	20.205	Highway Planning and Construction	Cash Management	2012-52
Transportation	20.205	Highway Planning and Construction	Davis-Bacon Act	2012-50
Transportation	20.205	Highway Planning and Construction	Reporting	2012-53



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Education	84.010, 84.389	Title I	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-62
Education	84.010, 84.389	Title I	Cash Management	2012-05 and 63
Education	84.010, 84.389	Title I	Reporting	2012-65
Education	84.027, 84.173, 84.391, 84.392	Special Education	Cash Management	2012-05 and 68
Education	84.027, 84.173, 84.391, 84.392	Special Education	Period of Availability	2012-69
Education	84.027, 84.173, 84.391, 84.392	Special Education	Reporting	2012-70
Education	84.126, 84.390	Vocational Rehabilitation	Cash Management	2012-05
Education	84.126, 84.390	Vocational Rehabilitation	Reporting	2012-74
Education	84.367	Improving Teacher Quality	Cash Management	2012-76
Education	84.367	Improving Teacher Quality	Reporting	2012-78
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Cash Management	2012-05 and 82
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Cash Management	2012-05 and 83
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Eligibility	2012-85 and 113
Health and Human Services	93.558, 93.714	Temporary Assistance for	Special Tests and Provisions-Income Eligibility and	2012-85



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
		Needy Families	Verification System	
Health and Human Services	93.563	Child Support Enforcement	Cash Management	2012-05 and 87
Health and Human Services	93.569, 93.710	Community Services Block Grant	Cash Management	2012-05
Health and Human Services	93.569, 93.710	Community Services Block Grant	Reporting	2012-88
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Cash Management	2012-05 and 96
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Reporting	2012- 98
Health and Human Services	93.600, 93.708	Head Start	Period of Availability	2012-94
Health and Human Services	93.658	Foster Care– Title IV-E	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-101 and 103
Health and Human Services	93.658	Foster Care– Title IV-E	Eligibility	2012-103
Health and Human Services	93.658	Foster Care– Title IV-E	Matching, Level of Effort, Earmarking	2012-103
Health and Human Services	93.658	Foster Care– Title IV-E	Cash Management	2012-05 and 102
Health and Human Services	93.658	Foster Care– Title IV-E	Reporting	2012-105
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Special Tests and Provisions – Provider Eligibility	2012-115



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Homeland Security	97.067	Homeland Security Grant Program	Cash Management	2012-05 and 135
Homeland Security	97.067	Homeland Security Grant Program	Equipment and Real Property Management	2012-136
Homeland Security	97.075	Rail and Transit Security	Cash Management	2012-05 and 134

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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



TABLE VI- MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER COMPLIANCE

Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions— ADP System for SNAP	2012-09
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition	Cash Management	2012-05, 11 and 12
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition	Procurement and Suspension and Debarment	2012-13
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition	Program Income	2012-16
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition	Reporting	2012-12, 14 and 15
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement and Suspension and Debarment	2012-06 and 07
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2012-18 and 21
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Special Tests and Provisions – Review of Food Instruments and Cash-Value Vouchers to Enforce Price Limitations and Detect Errors	2012-19
Commerce	11.557	Broadband Technology Opportunities	Activities Allowed or Unallowed & Allowable Costs/Cost	2012-27



Federal Awarding Agency	C DFA Number (s)	Federal Program	Compliance Requirement	Finding Number
		Program	Principles	
Commerce	11.557	Broadband Technology Opportunities Program	Cash Management	2012-22 and 23
Commerce	11.557	Broadband Technology Opportunities Program	Davis-Bacon Act	2012-25
Commerce	11.557	Broadband Technology Opportunities Program	Procurement and Suspension and Debarment	2012-06, 07 and 26
Commerce	11.557	Broadband Technology Opportunities Program	Reporting	2012-24
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-31
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Reporting	2012-28, 32, and 33
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2012-34
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Special Tests and Provisions-Rehabilitation	2012-30
Housing and	14.218, 14.253	Community	Special Tests and	2012-34



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Urban Development		Development Block Grants/Entitlement Grants	Provisions-ARRA Requirement R3	
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-40
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management	2012-38
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Matching, Level of Effort, Earmarking	2012-41
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Subrecipient Monitoring	2012-42
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Reporting	2012-44 and 45
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Subrecipient Monitoring	2012-46
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Special Tests & Provisions – Housing Quality Standards	2012-47
Labor	17.225	Unemployment Insurance	Reporting	2012-49
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-54



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Eligibility	2012-54
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Period of Availability	2012-55
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Reporting	2012-56
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Disbursements to or on Behalf of Students	2012-61
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Enrollment Reporting	2012-59
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Borrower Data Transmissions and Reconciliation	2012-60
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Verification	2012-57
Education	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Student Financial Assistance Cluster	Special Tests & Provisions – Return of Title IV Funds	2012-58
Education	84.010, 84.389	Title I	Special Tests and Provisions – Participation of Private Schools	2012-66
Education	84.010, 84.389	Title I	Special Tests and Provisions – Highly Qualified Teachers	2012- 67



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
			and Paraprofessionals	
Education	84.027, 84.173, 84.391, 84.392	Special Education	Matching, Level of Effort, Earmarking	2012-71
Education	84.126, 84.390	Vocational Rehabilitation	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-72 and 73
Education	84.126, 84.390	Vocational Rehabilitation	Eligibility	2012-73
Education	84.126, 84.390	Vocational Rehabilitation	Matching, Level of Effort, Earmarking	2012-75
Education	84.367	Improving Teacher Quality	Special Tests and Provisions— Participation of Private Schools	2012-79
Education	84.367	Improving Teacher Quality	Special Tests and Provisions— Assessment of Need	2012-80
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-81
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Eligibility	2012-85 and 113
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Procurement and Suspension and Debarment	2012-06 and 07
Health and Human Services	93.558, 93.714	Temporary Assistance for	Reporting	2012-84 and 86



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
		Needy Families		
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions-Penalty for Failure to Comply with Work Verification Plan	2012-84
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions-Income Eligibility and Verification System	2012-85
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions-Penalty for Refusal to Work	2012-86
Health and Human Services	93.563	Child Support Enforcement	Procurement and Suspension and Debarment	2012-06 and 07
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Eligibility	2012-97
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Subrecipient Monitoring	2012-100
Health and Human Services	93.600, 93.708	Head Start	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-89 and 90
Health and Human Services	93.600, 93.708	Head Start	Cash Management	2012-05, 91 and 92
Health and Human Services	93.600, 93.708	Head Start	Reporting	2012-95
Health and Human Services	93.658	Foster Care– Title IV-E	Procurement and Suspension and Debarment	2012-104



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.658	Foster Care– Title IV-E	Subrecipient Monitoring	2012-106
Health and Human Services	93.658	Foster Care– Title IV-E	Special Tests and Provisions-ARRA Requirements R1 and R2	2012-107
Health and Human Services	93.659	Adoption Assistance	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-108 and 110
Health and Human Services	93.659	Adoption Assistance	Eligibility	2012-110
Health and Human Services	93.659	Adoption Assistance	Matching, Level of Effort, Earmarking	2012-110
Health and Human Services	93.659	Adoption Assistance	Special Tests & Provisions – ARRA Requirements R1 and R2	2012-111
Health and Human Services	93.767	Children’s Health Insurance Program	Eligibility	2012-112, 113 and 114
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Eligibility	2012-113, 114 and 118
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Procurement and Suspension and Debarment	2012-06 and 07
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Special Tests and Provisions- Utilization Control and Program Integrity	2012-117
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Activities Allowed or Unallowed & Allowable Costs/Cost	2012-128



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
			Principles	
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, Earmarking	2012-130 and 131
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Procurement and Suspension and Debarment	2012-06, 07 and 132
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Reporting	2012-130 and 131
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2012-133
Health and Human Services	93.917	HIV Care Formula Grants	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-119 and 120
Health and Human Services	93.917	HIV Care Formula Grants	Eligibility	2012-121 and 122
Health and Human Services	93.917	HIV Care Formula Grants	Matching, Level of Effort, Earmarking	2012-123, 125 and 126
Health and Human Services	93.917	HIV Care Formula Grants	Procurement and Suspension and Debarment	2012-06 and 07
Health and Human Services	93.917	HIV Care Formula Grants	Subrecipient Monitoring	2012-127
Homeland Security	97.067	Homeland Security Grant Program	Procurement and Suspension and Debarment	2012-06 and 07

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



TABLE VII- SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Cash Management	2012-05
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Eligibility	2012-113
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions-Quality Control Unit	2012-08
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Special Tests and Provisions-EBT Reconciliation	2012-10
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-17
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management	2012-05 and 20
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Cash Management	2012-05 and 29
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Davis-Bacon Act	2012-36
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2012-35



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Maximum Per Unit Subsidy	2012-37
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Housing Quality Standards	2012-39
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Cash Management	2012-05 and 43
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Matching, Level of Effort, Earmarking	2012-44
Labor	17.225	Unemployment Insurance	Cash Management	2012-05
Labor	17.225	Unemployment Insurance	Eligibility	2012-48
Transportation	20.205	Highway Planning and Construction	Cash Management	2012-52
Transportation	20.205	Highway Planning and Construction	Davis-Bacon Act	2012-50
Transportation	20.205	Highway Planning and Construction	Procurement and Suspension and Debarment	2012-51
Transportation	20.205	Highway Planning and Construction	Reporting	2012-53
Education	84.010, 84.389	Title I	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-62
Education	84.010, 84.389	Title I	Cash Management	2012-05 and 63



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Education	84.010, 84.389	Title I	Procurement and Suspension and Debarment	2012-64
Education	84.010, 84.389	Title I	Reporting	2012-65
Education	84.027, 84.173, 84.391, 84.392	Special Education	Cash Management	2012-05 and 68
Education	84.027, 84.173, 84.391, 84.392	Special Education	Period of Availability	2012-69
Education	84.027, 84.173, 84.391, 84.392	Special Education	Reporting	2012-70
Education	84.126, 84.390	Vocational Rehabilitation	Cash Management	2012-05
Education	84.126, 84.390	Vocational Rehabilitation	Reporting	2012-74
Education	84.367	Improving Teacher Quality	Cash Management	2012-76
Education	84.367	Improving Teacher Quality	Procurement and Suspension and Debarment	2012-77
Education	84.367	Improving Teacher Quality	Reporting	2012-78
Education	84.395	State Fiscal Stabilization Fund – Race to the Top	Cash Management	2012-05 and 82
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Cash Management	2012-05 and 83
Health and Human Services	93.563	Child Support Enforcement	Cash Management	2012-05 and 87
Health and Human Services	93.569, 93.710	Community Services Block	Cash Management	2012-05



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
		Grant		
Health and Human Services	93.569, 93.710	Community Services Block Grant	Reporting	2012-88
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Cash Management	2012-05 and 96
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Reporting	2012-98
Health and Human Services	93.575, 93.596	Child Care and Development Fund	Special Tests & Provisions – Health and Safety Requirements	2012-99
Health and Human Services	93.600, 93.708	Head Start	Matching, Level of Effort, Earmarking	2012-93
Health and Human Services	93.600, 93.708	Head Start	Period of Availability	2012-94
Health and Human Services	93.658	Foster Care– Title IV-E	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-101 and 103
Health and Human Services	93.658	Foster Care– Title IV-E	Cash Management	2012-05 and 102
Health and Human Services	93.658	Foster Care– Title IV-E	Eligibility	2012-103
Health and Human Services	93.658	Foster Care– Title IV-E	Matching, Level of Effort, Earmarking	2012-103
Health and Human Services	93.658	Foster Care– Title IV-E	Reporting	2012-105
Health and Human Services	93.659	Adoption Assistance	Cash Management	2012-109
Health and Human	93.767	Children’s Health	Activities Allowed	2012-116



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
Services		Insurance Program	or Unallowed & Allowable Costs/Cost Principles	
Health and Human Services	93.767	Children’s Health Insurance Program	Period of Availability	2012-116
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2012-116
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Period of Availability	2012-116
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Special Tests and Provisions – ADP Risk Analysis and System Security Review	2012-116
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	Special Tests and Provisions – Provider Eligibility	2012-115
Health and Human Services	93.914	HIV Emergency Relief	Eligibility	2012-129
Health and Human Services	93.917	HIV Care Formula Grants	Cash Management	2012-124
Health and Human Services	93.917	HIV Care Formula Grants	Period of Availability	2012-120
Homeland Security	97.067	Homeland Security Grant Program	Cash Management	2012-05 and 135
Homeland Security	97.067	Homeland Security Grant Program	Equipment and Real Property Management	2012-136
Homeland Security	97.075	Rail and Transit	Cash Management	2012-05 and 134



Federal Awarding Agency	CDFA Number (s)	Federal Program	Compliance Requirement	Finding Number
		Security		

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the District as of and for the year ended September 30, 2012, and have issued our report thereon dated January 28, 2013. Our report contained an explanatory paragraph because the financial statements of WASA and HFA, both discretely presented component units of the District, were not audited in accordance with *Government Auditing Standards*. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 28, 2013. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the Mayor and Council of the Government of the District of Columbia, management, and others within the entity, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 27, 2013

Government of the District of Columbia

Schedule I: Schedule of Expenditures
of Federal Awards By Federal Grantor
Year Ended September 30, 2012

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
U.S. Department of Homeland Security		
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111	\$ 4,552,555
HOMELAND SECURITY-RELATED SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (HS STEM) CAREER DEVELOPMENT PROGRAM	97.104	156,708
DRIVER LICENSE SECURITY GRANT PROGRAM (KVO)	97.089	301,638
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078	1,533,376
RAIL AND TRANSIT SECURITY GRANT PROGRAM	97.075	26,846,679
HOMELAND SECURITY GRANT PROGRAM	97.067	70,048,392
INTEROPERABLE EMERGENCY COMMUNICATIONS	97.055	387,091
EMERGENCY OPERATIONS CENTER	97.052	998,400
COOPERATING TECHNICAL PARTNERS	97.045	110,000
ASSISTANCE TO FIREFIGHTERS GRANT	97.044	1,825,495
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	2,323,203
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	3,182,978
COMMUNITY ASSISTANCE PROGRAM STATE SUPPORT SERVICES ELEMENT (CAP-SSE)	97.023	86,349
BOATING SAFETY FINANCIAL ASSISTANCE	97.012	875,159
NON-PROFIT SECURITY PROGRAM	97.008	1,143,001
Total U.S. Department of Homeland Security		<u>114,371,024</u>
Social Security Administration		
SOCIAL SECURITY_DISABILITY INSURANCE	96.001	<u>8,141,888</u>
Corporation for National and Community Service		
SENIOR COMPANION PROGRAM	94.016	298,162
TRAINING AND TECHNICAL ASSISTANCE	94.009	70,446
PROGRAM DEVELOPMENT AND INNOVATION GRANTS (AO0 + GF0)	94.007	538,017
AMERICORPS	94.006	3,224,030
LEARN AND SERVE AMERICA_SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	411,041
STATE COMMISSIONS	94.003	285,788
Total Corporation for National and Comm Service		<u>4,827,484</u>
U.S. Department of Health and Human Services		
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994	7,096,694
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991	358,828
PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	1,146,642
BLOCK GRANTS FOR PRVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	6,304,949
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	552,282
ASSISTANCE PROGRAMS FOR CHRONIC DIDEASE PREVENTION & CONTROL	93.945	278,072
HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) SURVEILLANCE	93.944	1,688,347
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	93.940	6,925,945

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	282,572
HEALTHY START INITIATIVE	93.926	3,384,748
SCHOLASHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	123,394
HIV CARE FORMULA GRANTS	93.917	23,304,972
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	31,225,838
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	1,417,328
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	485,420
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.796	1,767,673
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791	6,163,151
CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS) RESEARCH, DEMONSTRATIONS AND EVALUATIONS	93.779	145,916
MEDICAL ASSISTANCE PROGRAM	93.778	1,544,054,434
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.777	1,170,102
STATE MEDICAID FRAUD CONTROL UNITS	93.775	2,043,968
SUBTOTAL - MEDICAID CLUSTER		1,547,268,504
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	13,758,090
ARRA - HEALTH INFORMATION TECHNOLOGY - BEACON COMMUNITIES	93.727	36,936
ARRA - PREVENTION-COMMUNITIES PUTTING PREVENTION TO WORK FUNDING OPPROTUNITIES ANNOUNCEMENT (FOA)	93.724	3,036,735
ARRA - PREVENTION AND WELLNESS-STATE, TERRITORIES AND PACIFIC ISLANDS	93.723	575,909
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719	211,198
ARRA - PREVENTING HEALTHCARE-ASSOCIATED INFECTIONS	93.717	200,246
MEDICAID INFRASTRUCTURE GRANT (MIG) TO SUPPORT THE COMPETITIVE EMPLOYEMENT OF PEOPLE WITH DISABILITIES	93.768	435,196
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS_ GRANTS TO STATES & INDIAN TRIBES	93.671	697,514
FOSTER CARE_ TITLE IV-E	93.658	37,778,986
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	810,127
CHILD ABUSE & NEGLECT STATE GRANTS	93.669	27,500
SOCIAL SERVICES BLOCK GRANT	93.667	6,191,326
ADOPTION ASSISTANCE	93.659	15,821,452
CHILD WELFARE_ SERVICES_ STATE GRANTS	93.645	428,563
CHILDREN'S JUSTICE GRANTS TO STATES	93.643	47,453
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630	605,697
VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES GRANTS TO STATES	93.617	27,444
ARRA -HEADSTART CONSOLIDATED (GD0)	93.708	121,310
HEAD START (GA0 +GD0)	93.600	6,433,013
HEAD START - PASS-THROUGH FUNDING	93.600	3,850,541

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
SUBTOTAL - HEAD START CLUSTER		10,404,864
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597	92,871
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUNDS (GDO)	93.596	7,931,001
CHILD CARE & DEVELOPMENT BLOCK GRANT (GDO)	93.575	<u>2,367,567</u>
SUBTOTAL - CHILD CARE AND DEVELOPMENT (CCDF) CLUSTER		10,298,568
COMMUNITY SERVICE BLOCK GRANT	93.569	10,907,952
CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	93.599	213,722
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590	98,632
LOW INCOME HOME ENERGY ASSISTANCE (KGO)	93.568	9,617,263
REFUGEE & ENTRANT ASSISTANCE_STATE ADMINISTERED	93.566	1,511,580
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	16,744,423
ARRA - EMERGENCY CONTINGENCY FUND FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) STATE PROGRAM	93.714	363,717
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	<u>80,432,517</u>
SUBTOTAL - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CLUSTER		80,796,234
PROMOTING SAFE AND STABLE FAMILIES	93.556	860,094
THE PATIENT PROTECTION AND AFFORDABLE CARE ACT OF 2010 (AFFORDABLE CARE ACT) AUTHORIZES COORDINATED CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION PROGRAM	93.544	72,488
STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	93.525	2,856,939
THE AFFORDABLE CARE ACT: HUMAN IMMUNODEFICIENCY VIRUS (HIV) PREVENTION AND PUBLIC HEALTH FUND ACTIVITIES	93.523	857,436
THE AFFORDABLE CARE ACT: BUILDING EPIDEMIOLOGY, LABORATORY, AND HEALTH INFORMATION SYSTEMS CAPACITY IN THE EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASE (ELC) AND EMERGING INFECTIONS PROGRAMS (EIP) COOPERATIVE AGREEMENTS; PPHF	93.521	145,301
AFFORDABLE CARE ACTS (ACA) - CONSUMER ASSISTANCE PROGRAM GRANTS	93.519	59,956
AFFORDABLE CARE ACT - MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS	93.518	45,692
AFFORDABLE CARE ACT - AGING AND DISABILITY RESOURCE CENTER	93.517	128,059
AFFORDABLE CARE ACT (ACA) GRANTS TO STATES FOR HEALTH INSURANCE PREMIUM REVIEW	93.511	469,094
STRENGTHENING PUBLIC HEALTH INFRASTRUCTURE FOR IMPROVED HEALTH OUTCOMES	93.507	229,502
ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT ACCESS EMPLOYEES OF LONG TERM FACILITIES AND PROVIDERS	93.506	460,299
AFFORDABLE CARE ACT (ACA) MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.505	598,870
AFFORDABLE CARE ACT (ACA) GRANTS FOR SCHOOL-BASED HEALTH CENTER CAPITAL EXPENDITURES	93.501	23,571
ARRA - PREGNANCY ASSISTANCE FUND PROGRAM	93.500	1,337,909

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
ARRA - STATE PRIMARY CARE OFFICES	93.414	33,734
ARRA - STATE LOAN REPAYMENT PROGRAM	93.402	284,371
CANCER CAUSE AND PREVENTION RESEARCH	93.393	133,911
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	614,283
CENTERS FOR DISEASE CONTROL & PREVENTION_INVESTIGATIONS & TECHNICAL	93.283	2,350,566
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275	2,847,707
ADULT VIRAL HEPATITIS PREVENTION AND CONTROL	93.270	62,655
ARRA - IMMUNIZATION	93.712	962,582
IMMUNIZATION GRANTS	93.268	<u>1,462,830</u>
SUBTOTAL - IMMUNIZATION CLUSTER		2,425,412
UNIVERSAL NEWBORN HEARING SCREENING	93.251	288,490
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	3,749,456
TRAUMATIC BRAIN INJURY STATE DEMONSTRATION GRANT PROGRAM	93.234	23,858
PROJECTS_STATE & LOCAL CHILDHOOD LEAD POISONING PREVENTION & SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	93.197	465,473
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150	199,979
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM	93.136	84,192
COOP AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.130	171,078
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116	671,128

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	861,328
COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)	93.104	259,791
FOOD AND DRUG ADMINISTRATION_RESEARCH	93.103	2,575
AFFORDABLE CARE ACT PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092	219,763
GUARDIANSHIP ASSISTANCE	93.090	1,897,626
EMERGENCY SYSTEM FOR ADV REGISTRATION OF VOLUNTEER HEALTH PROFESSIONALS	93.089	51,927
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	93.074	580,412
DC LIFESPAN RESPITE PROGRAM	93.072	21,497
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.070	312,738
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	5,238,600
TOBACCO REGULATION AWARENESS, COMMUNICATION, AND EDUCATION PROGRAM	93.058	219,362
NATIONAL FAMILY CAREGIVERS SUPPORT TITLE III PART E	93.052	716,994
ALZHEIMERS'S DISEASE DEMONSTRATION GRANTS TO STATES	93.051	16,520
SPECIAL PROGRAMS FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	147,196
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	418,932
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	93.045	3,176,264
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	<u>1,488,908</u>
SUBTOTAL - TITLE III AGING CLUSTER		5,084,104
SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 2_LONG TERM CARE OMBUDSMAN SERVICES FOR OLDERS INDIVIDUALS	93.042	91,773
SPECIAL PROGRAMS FOR THE AGING_Title Vii, CHAPTER 3_PROGRAMS FOR PREVENTION OF ELDER ABUSE, NEGLECT, AND EXPLOITATION	93.041	21,673
STATE & TERRITORIAL & TECHNICAL ASSISTANCE CAPACITY DEVELOPMENT		
MINORITY HIV/AIDS DEMONSTRATION PROGRAM	93.006	102,534
PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND	93.003	1,303,314
Total U.S. Depart. of Health and Human Services		<u><u>1,900,998,986</u></u>

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
U.S. Department of Education		
ARRA - EDUCATION JOBS FUND	84.410	1,381,109
ARRA - STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	32,078,245
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	1,435,956
ARRA - SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	84.388	3,002,926
SCHOOL IMPROVEMENT GRANTS	84.377	<u>1,946,693</u>
SUBTOTAL - SCHOOL IMPROVEMENTS GRANTS CLUSTER		4,949,619
STATEWIDE DATA SYSTEMS	84.372	1,388,849
ARRA - STRIVING READERS	84.371	138,597
GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	3,645,641
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	17,304,797
MATHEMATICS & SCIENCE PARTNERSHIP	84.366	825,923
ENGLISH LANGUAGE ACQUISITION	84.365	892,870
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	232,661
ADVANCED PLACEMENT PROGRAM	84.330	146,828
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS FOR CHILDREN WITH DISABILITIES	84.325	247,016
ARRA - EDUCATION TECHNOLOGY STATE GRANT, RECOVERY ACT	84.386	601,723
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	<u>579,060</u>
SUBTOTAL - EDUCATION TECHNOLOGY CLUSTER		1,180,783
CAPACITY BUILDING FOR TRADITIONALLY UNDERSERVED POPULATIONS	84.315	150,834
21ST CENTURY COMM LEARNING CTRS-AFTER SCHOOL	84.287	5,932,245
CHARTER SCHOOLS	84.282	2,899,723
ARRA - TECH-PREP EDUCATION	84.243	134,677
ASSISTIVE TECHNOLOGY	84.224	575,317
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	677,482
TITLE 1 EVEN START	84.213	11,434
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	282,458
SUPPORTED EMPLOYMENT SVCS_INDIV WITH THE MOST SIGNIFICANT DISABILITIES	84.187	221,960
SAFE AND DRUG FREE SCHOOLS & COMMUNITIES_STATE GRANTS	84.186	131,075
SPECIAL EDUCATION_GRANTS FOR INFANTS_FAMILIES	84.181	2,760,727
REHABILITATION SERVICES_INDEPENDENT LIVING SERVICES_OLDER INDIVIDUALS WHO ARE BLIND	84.177	184,304
INDEPENDENT LIVING_STATE GRANTS	84.169	241,205
REHABILITATION SERVICES_VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	13,833,606
MINORITY SCIENCE AND ENGINEERING IMPROVEMENT	84.120	89,222
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	84.069	34,220
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	3,931,102
TRIO_UPWARD BOUND	84.047	276,928
TRIO_TALENT SEARCH	84.044	<u>414,372</u>
SUBTOTAL - TRIO CLUSTER		691,300
HIGHER EDUCATION_INSTITUTIONAL AID	84.031	4,174,781
ARRA - SPECIAL EDUCATION GRANTS TO STATES	84.391	(4)

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	188,474
SPECIAL EDUCATION - GRANT TO STATES	84.027	<u>15,561,284</u>
SUBTOTAL - SPECIAL EDUCATION CLUSTER		15,749,754
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013	363,473
FEDERAL DIRECT STUDENT LOANS	84.268	30,297,806
FEDERAL PELL GRANT PROGRAM	84.063	10,167,300
FEDERAL WORK-STUDY PROGRAM	84.033	175,646
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007	<u>730,481</u>
SUBTOTAL - STUDENT FINANCIAL ASSISTANCE CLUSTER		41,371,233
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	1,980,464
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	53,433,653
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.389	<u>2,994,523</u>
SUBTOTAL - TITLE I GRANTS TO LOCAL EDUCATIONAL CLUSTER		56,428,176
Total U.S. Department of Education		<u><u>218,699,666</u></u>
U.S. Department of Energy		
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128	3,806,271
ARRA - ENERGY EFFICIENT APPLIANCE REBATE PROGRAM (EEARP)	81.127	96,810
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, RESEARCH, DEVELOPMENT AND ANALYSIS	81.122	360,042
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	488,759
ARRA - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	<u>2,201,729</u>
SUBTOTAL - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS		2,690,488
STATE ENERGY PROGRAM	81.041	172,475
ARRA - STATE ENERGY PROGRAM	81.041	<u>2,890,719</u>
SUBTOTAL - STATE ENERGY PROGRAM		3,063,194
NATIONAL ENERGY INFORMATION CENTER	81.039	1,736
Total U.S. Department of Energy		<u><u>10,018,541</u></u>
Environmental Protection Agency		
STATE AND TRIBAL RESPONSE PROGRAM	66.817	190,000
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	173,907
ARRA - LEAKING UNDERGROUND STORAGE TANK TRUST FUND CORRECTIVE ACTION	66.805	39

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Federal Awards by Federal Grantor

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<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804	589,062
ARRA - SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE SPECIFIC COOPERATIVE AGREEMENTS	66.802	214,169
POLLUTION PREVENTION GRANTS PROGRAM	66.708	410,262
TSCA TITLE IV STATE LEAD GRANTS CERT OF LEAD-BASED PAINT PROFESSIONALS	66.707	172
PERFORMANCE PARTNERSHIP GRANTS	66.605	516,568
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	38,198
CHESAPEAKE BAY PROGRAM	66.466	1,016,662
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460	806,472
WATER QUALITY MANAGEMENT PLANNING	66.454	100,000
TARGETED WATERSHEDS GRANTS	66.439	83,954
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL PROGRAM SUPPORT	66.419	1,482,595
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	89,108
ARRA - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	4,675,372
SUBTOTAL - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS		4,764,480
ARRA - STATE CLEAN DIESEL GRANT PROGRAM	66.040	624,009
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034	71,663
STATE INDOOR RADON GRANTS	66.032	59,486
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	1,147,649
ARRA - AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	767,046
SUBTOTAL - AIR POLLUTION CONTROL PROGRAM SUPPORT		1,914,695
Total Environmental Protection Agency		13,056,393
Small Business Administration		
STATE TRADE AND EXPORT PROMOTION PILOT GRANT PROGRAM (SBA)	59.061	249,362
National Science Foundation		
EDUCATION AND HUMAN RESOURCES	47.076	713,934
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	7,356
ENGINEERING GRANTS	47.041	22,577
Total National Science Foundation		721,290
National Endowment for the Humanities		
GRANTS TO STATES	45.310	920,394
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	761,985
PROMOTION OF THE ARTS_GRANTS TO ORGANIZATIONS AND INDIVIDUALS	45.024	25,000
Total National Endowment for the Humanities		1,707,379

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<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
Equal Employment Opportunity Commission		
EMPLOYMENT DISCRIMINATION_TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001	<u><u>132,662</u></u>
U.S. Department of the Treasury		
LOW-INCOME TAXPAYER CLINICS	21.008	53,193
STATE SMALL BUSINESS CREDIT INITIATIVE	21.UNK	6,913
ARRA - RAGLTC- GRANTS IN LIEU OF TAX CREDITS SEC	21.GRDC15	<u>727,505</u>
Total U.S. Department of the Treasury		<u><u>787,611</u></u>
U.S. Department of Transportation		
PHMSA PIPELINE SAFETY PROGRAM ONE CALL GRANT	20.721	59,745
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700	279,107
STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT GRANTS	20.610	9,507
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	<u>2,663,630</u>
SUBTOTAL - HIGHWAY SAFETY CLUSTER		2,673,137
CAPITAL ASSISTANCE PROGRAM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513	101,214
METROPOLITAN TRANSPORTATION PLANNING	20.505	4,862,865
FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	20.500	514,034
ARRA - HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE - CAPITAL ASSISTANCE GRANTS	20.319	79,882
NATIONAL MOTOR CARRIER SAFETY	20.218	965,914
HIGHWAY PLANNING AND CONSTRUCTION	20.205	209,082,555
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	<u>20,609,751</u>
SUBTOTAL - HIGHWAY PLANNING & CONSTRUCTION		<u>229,692,306</u>
Total U.S. Department of Transportation		<u><u>239,228,204</u></u>
U.S. Department of Labor		
CONSULTATION AGREEMENTS	17.504	465,866
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCCT) GRANTS	17.282	381,006
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273	79,618
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271	66,000
WORK INCENTIVE GRANTS	17.266	(4,618)
WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	17.261	2,571,557
WORKFORCE INVESTMENT ACT (WIA) NATIONAL EMERGENCY GRANTS (INDIRECT - WIA DISLOCATED WORKERS	17.277	283,780
ARRA - WIA DISLOCATED WORKERS	17.260	2,122,081
WIA YOUTH ACTIVITIES	17.259	172,504
WIA ADULT PROGRAM	17.258	<u>2,124,632</u>
SUBTOTAL - WIA CLUSTER		<u>3,096,078</u>
TRADE ADJUSTMENT ASSISTANCE	17.245	7,515,295
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	99,851
		612,361

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
UNEMPLOYMENT INSURANCE	17.225	360,363,128
ARRA - UNEMPLOYMENT INSURANCE	17.225	1,542,488
SUBTOTAL - UNEMPLOYMENT INSURANCE		361,905,616
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	156,566
DISABLED VETERANS OUTREACH PROGRAM	17.801	291,469
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	4,487,395
SUBTOTAL - EMPLOYMENT SERVICE CLUSTER		4,935,430
COMPENSATION AND WORKING CONDITIONS	17.005	78,900
LABOR FORCE STATISTICS	17.002	645,514
Total U.S. Department of Labor		379,636,176
U.S. Department of Justice		
JOHN R JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	16.816	85,474
SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	16.812	130,122
RECOVERY ACT-EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG)	16.803	1,530,725
EDWARD BYRNE MEMORIAL COMPETITIVE GRANT PROGRAM	16.751	99,960
PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	16.742	163,818
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	492,776
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	3,038,426
ENFORCING UNDERAGE DRINKING LAWS PROGRAM	16.727	306,847
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	3,262,274
PROJECT SAFE NEIGHBORHOODS	16.609	71,163
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607	33,867
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606	426,360
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593	71,663
GRANTS TO ENCOURAGE ARREST POLICIES & ENFORCEMENT OF PROTECT ORDERS	16.590	(936)
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	714,869
ED BYRNE MEMORIAL STATE & LOCAL LAW ENFORCEMENT ASSISTANCE GRANTS	16.580	66,348
EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579	28,976
CRIME VICTIM ASSISTANCE PROGRAM	16.575	1,173,020
STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS CENTERS	16.550	60,022
TITLE V DELINQUENCY PREVENTION PROGRAM	16.548	2,089
JUVENILE JUSTICE AND DELINQUENCY PREVENTION_ALLOCATION TO STATES	16.540	666,758
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523	461,050
SERVICES FOR TRAFFICKING VICTIMS	16.320	139,266
SEXUAL ASSAULT SERVICES FORMULA PROGRAM	16.017	17,000
MISC. FEDERAL PROGRAM/MOU	16.UNK	495,703
Total U.S. Department of Justice		13,537,640
U.S. Department of the Interior		
ARRA - CONSERVATION ACTIVITIES BY YOUTH SERVICE ORGANIZATIONS	15.931	
RIVERS, TRAILS, AND CONSERVATION ASSISTANCE	15.921	22,219
OUTDOOR RECREATION_ACQUISITION, DEVELOPMENT AND PLANNING	15.916	177,142

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	570,411
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805	72,178
STATE WILDLIFE GRANTS	15.634	76,850
SPORT FISH RESTORATION PROGRAM	15.605	958,390
Total U.S. Department of the Interior		1,877,190
U.S. Department of Housing and Urban Development		
ARRA - LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.909	139,763
COMMUNITY CHALLENGE PLANNING GRANT AND THE DEPARTMENT OF TRANSPORTATION'S TIGER II PLANNING GRANTS	14.704	269,862
FAIR HOUSING ASSISTANCE PROGRAM_STATE AND LOCAL	14.401	283,373
ARRA - HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM TECHNICAL ASSISTANCE	14.262	2,369,620
ARRA - TAX CREDIT ASSISTANCE PROGRAM	14.258	16,646
ARRA - NEIGHBORHOOD STABILIZATION PROGRAM	14.256	2,325,053
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	12,856,268
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239	10,703,218
SHELTER PLUS CARE (HCO + DB0 + JA0)	14.238	5,187,285
SUPPORTIVE HOUSING PROGRAM	14.235	156,061
EMERGENCY SHELTER GRANT PROGRAM (JA0 + DB0)	14.231	811,524
COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM & NON ENTITLEMENT GRANTS IN HAWAII	14.228	222,503
ARRA - COMMUNITY DEVELOPMENT BLOCK GRANT ARRA ENTITLEMENT	14.253	555,715
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS	14.218	23,765,510
SUBTOTAL - COMMUNITY DEVELOPMENT BLOCK GRANT CLUSTER		24,321,225
Total U.S. Dept. of Housing and Urban Development		59,662,401
U.S. Department of Defense		
BASIC, APPLIED , AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630	131,139
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.607	1,530,529
NATIONAL GUARD CHALLENGE PROGRAM	12.404	821,027
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401	2,125,905
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113	474,133
PROCUREMENT TECHNICAL ASSISTANCE FOR BUSINESS FIRMS	12.002	
Total U.S. Department of Defense		5,082,733
U.S. Department of Commerce		
ARRA - STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM	11.558	1,124,113
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP) (CE0 + TO0)	11.557	10,999,628
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM	11.555	1,563,321
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474	690

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

For the Year Ended September 30, 2012

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Total Federal Expenditures</i>
ECONOMIC ADJUSTMENT ASSISTANCE	11.307	168,811
Total U.S. Department of Commerce		13,856,563
U.S. Department of Agriculture		
ARRA - RECOVERY ACT OF 2009: WILDLAND FIRE MANGEMENT	10.688	75,130
COOPERATIVE FORESTRY ASSISTANCE	10.664	11,701
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	1,505,597
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	778,391
SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576	157,398
TEAM NUTRITION GRANTS	10.574	93,775
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	281,065
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	92,891
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	581,639
SUPPLEMENTARY NUTRITION ASSISTANCE PROGRAM (SNAP)	10.551	235,057,947
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	12,685,609
SUBTOTAL - SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) CLUSTER		247,743,556
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	671,755
CHILD AND ADULT CARE FOOD PRGRAM	10.558	8,623,247
SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS & CHILDREN (WIC)	10.557	14,239,869
ARRA - SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS & CHILDREN (WIC)	10.557	291,016
SUBTOTAL - SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS, AND CHILDREN		14,530,885
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	2,984,088
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	15,325
NATIONAL SCHOOL LUNCH PROGRAM	10.555	20,409,007
SCHOOL BREAKFAST PROGRAM	10.553	7,936,888
SUBTOTAL - NATIONAL SCHOOL LUNCH, BREAKFAST CLUSTER		31,345,308
COOPERATIVE EXTENSION SERVICE	10.500	1,312,275
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203	683,326
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	149,157
Total U.S. Department of Agriculture		308,637,096
U.S. Department of Veterans Affairs		
VETERANS AFFAIRS MEDICAL CENTER	64.009	809,329
Total U.S. Department of Veterans Affairs		809,329
Total Expenditures of Federal Awards		\$ 3,296,062,195

Government of the District of Columbia

Schedule II: Schedule of Expenditures
of Federal Awards By District Agency
Year Ended September 30, 2012

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Health Care Finance		
AFFORDABLE CARE ACTS (ACA) - CONSUMER ASSISTANCE PROGRAM GRANTS	93.519	\$ 59,956
STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	93.525	2,856,939
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719	211,198
ARRA - HEALTH INFORMATION TECHNOLOGY - BEACON COMMUNITIES	93.727	36,936
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	13,758,090
MEDICAL ASSISTANCE PROGRAM	93.778	1,512,099,511
ARRA - MEDICAL ASSISTANCE PROGRAMS	93.778	(383,153)
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791	6,163,151
Total Department of Health Care Finance		1,534,802,628
Department of Employment Services		
LABOR FORCE STATISTICS	17.002	645,514
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	4,487,395
UNEMPLOYMENT INSURANCE	17.225	360,363,128
ARRA - UNEMPLOYMENT INSURANCE	17.225	1,542,488
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	612,361
TRADE ADJUSTMENT ASSISTANCE	17.245	99,851
WIA ADULT PROGRAM	17.258	3,096,078
WIA YOUTH ACTIVITIES	17.259	2,124,632
WIA DISLOCATED WORKERS	17.260	2,122,081
ARRA - WIA DISLOCATED WORKERS	17.260	172,504
WORK INCENTIVE GRANTS	17.266	(4,618)
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271	66,000
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273	79,618
WORKFORCE INVESTMENT ACT (WIA) NATIONAL EMERGENCY GRANTS	17.277	283,780
CONSULTATION AGREEMENT	17.504	465,866
DISABLED VETERANS OUTREACH PROGRAM	17.801	291,469
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	156,566
Total Department of Employment Services		376,604,713
State Superintendent of Education		
SCHOOL BREAKFAST PROGRAM	10.553	7,936,888
NATIONAL SCHOOL LUNCH PROGRAM	10.555	20,409,007
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	15,325
CHILD AND ADULT CARE FOOD PROGRAM	10.558	8,623,247
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	2,984,088
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	671,755
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	92,891
TEAM NUTRITION GRANTS	10.574	93,775

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	778,391
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	1,505,597
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	1,980,464
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	53,433,653
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013	363,473
SPECIAL EDUCATION - GRANT TO STATES	84.027	15,561,284
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	3,931,102
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	84.069	34,220
SPECIAL EDUCATION - PRESCHOOL INCENTIVE	84.173	188,474
SPECIAL EDUCATION_GRANTS FOR INFANTS_FAMILIES	84.181	2,760,727
SAFE AND DRUG FREE SCHOOLS & COMMUNITIES_STATE GRANTS	84.186	131,075
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	282,458
EVEN START_STATE EDUCATIONAL AGENCY	84.213	11,434
ARRA - TECH-PREP EDUCATION	84.243	134,677
CHARTER SCHOOLS	84.282	2,899,723
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	5,932,245
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	579,060
ADVANCED PLACEMENT PROGRAM	84.330	146,828
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	232,661
ENGLISH LANGUAGE ACQUISITION	84.365	892,870
MATHEMATICS & SCIENCE PARTNERSHIP	84.366	825,923
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	17,304,797
GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	3,645,641
ARRA - STRIVING READERS	84.371	138,597
STATEWIDE DATA SYSTEMS	84.372	1,388,849
SCHOOL IMPROVEMENT GRANTS	84.377	1,946,693
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	1,435,956
ARRA - EDUCATION TECHNOLOGY STATE GRANT, RECOVERY ACT	84.386	601,723
ARRA - SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	84.388	3,002,926
ARRA - TITLE ONE GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.389	2,994,523
ARRA - SPECIAL EDUCATION GRANTS TO STATES	84.391	(4)
ARRA - STATES FISCAL STABILIZATION FUND RACE TO THE TOP INCENTIVE GRANT	84.395	32,078,245
ARRA - EDUCATION JOBS FUND	84.410	1,381,109
AFFORDABLE CARE ACT PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092	219,763
CHILD CARE & DEVELOPMENT BLOCK GRANT - DISCRETIONARY	93.575	2,367,567
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUNDS	93.596	7,931,001
HEAD START	93.600	69,524
ARRA - HEAD START STATE ADV COUNCIL EARLY CHILDHOOD EDUCATION	93.708	121,310
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	282,572
Total State Superintendent of Education		210,344,107

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Transportation		
COOPERATIVE FORESTRY ASSISTANCE	10.664	11,701
ARRA - RECOVERY ACT OF 2009: WILDLAND FIRE MANGEMENT	10.688	75,130
RIVERS, TRAILS, AND CONSERVATION ASSISTANCE	15.921	22,219
HIGHWAY PLANNING AND CONSTRUCTION	20.205	209,082,555
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	20,609,751
ARRA - HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE - CAPITAL ASSISTANCE GRANTS	20.319	79,882
FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	20.500	514,034
METROPOLITAN TRANSPROTATION PLANNING	20.505	4,862,865
CAPITAL ASSISTANCE PROGRAM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513	101,214
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	2,663,630
TARGETED WATERSHEDS GRANTS	66.439	83,954
Total Department of Transportation		238,106,935
Department of Human Services		
SUPPLEMENTARY NUTRITION ASSISTANCE PROGRAM (SNAP) - FOOD STAMPS	10.551	235,057,947
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	10,529,712
EMERGENCY SHELTER GRANT PROGRAM	14.231	817,026
SHELTER PLUS CARE	14.238	3,670,663
VETERANS AFFAIRS MEDICAL CENTER	64.009	809,329
ARRA - PREGNANCY ASSISTANCE FUND PROGRAM	93.500	1,337,909
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	80,432,517
REFUGEE & ENTRANT ASSISTANCE_STATE ADMINISTERED	93.566	1,511,580
COMMUNITY SERVICE BLOCK GRANT	93.569	10,907,952
SOCIAL SERVICES BLOCK GRANT	93.667	6,191,326
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS_GRANTS TO STATES & INDIAN TRIBES	93.671	697,514
ARRA - EMERGENCY CONTINGENCY FUND FOR TANF STATE PROGRAM	93.714	363,717
MEDICAL ASSISTANCE PROGRAM	93.778	14,412,803
Total Department of Human Services		366,739,995
Department of Health		
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)	10.557	14,239,869
ARRA - SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)	10.557	291,016
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION	10.561	1,592,796
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	581,639
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	281,065
SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576	157,398
SHELTER PLUS CARE	14.238	525,966
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	12,856,268
COMPENSATION AND WORKING CONDITIONS	17.005	78,900
PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND	93.003	1,303,314
STATE & TERRITORIAL & TECHNICAL ASSISTANCE CAPACITY DEVELOPMENT MINORITY HIV/AIDS DEMONSTRATION PROGRAM	93.006	102,534
TOBACCO REGULATION AWARENESS, COMMUNICATION, AND EDUCATION PROGRAM	93.058	219,362

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	5,238,600
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.070	312,738
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	93.074	580,412
EMERGENCY SYSTEM FOR ADVANCE REGISTRATION OF VOLUNTEER HEALTH PROFESSIONALS	93.089	51,927
FOOD AND DRUG ADMINISTRATION_RESEARCH	93.103	2,575
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	861,328
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116	671,128
COOPERATIVE AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.130	171,078
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM	93.136	84,192
TRAUMATIC BRAIN INJURY STATE DEMONSTRATION GRANT PROGRAM	93.234	23,858
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	3,260,843
UNIVERSAL NEWBORN HEARING SCREENING	93.251	288,490
IMMUNIZATION PROGRAM	93.268	1,462,830
ADULT VIRAL HEPATITIS PREVENTION AND CONTROL	93.270	62,655
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275	2,847,707
CENTERS FOR DISEASE CONTROL & PREVENTION: INVEST & TECHNICAL ASSISTANCE	93.283	2,350,566
ARRA - STATE LOAN REPAYMENT PROGRAM	93.402	284,371
ARRA - STATE PRIMARY CARE OFFICES	93.414	33,734
AFFORDABLE CARE ACT (ACA) GRANTS FOR SCHOOL-BASED HEALTH CENTER CAPITAL EXPENDITURES	93.501	23,571
AFFORDABLE CARE ACT (ACA) MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.505	598,870
ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT ACCESS EMPLOYEES OF LONG TERM FACILITIES AND PROVIDERS	93.506	460,299
STRENGTHENING PUBLIC HEALTH INFRASTRUCTURE FOR IMPROVED HEALTH OUTCOMES	93.507	229,502
THE AFFORDABLE CARE ACT: BUILDING EPIDEMIOLOGY, LABORATORY, AND HEALTH INFORMATION SYSTEMS CAPACITY IN THE EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASE (ELC) AND EMERGING INFECTIONS PROGRAMS (EIP) COOPERATIVE AGREEMENTS; PPHF	93.521	145,301
THE AFFORDABLE CARE ACT: HUMAN IMMUNODEFICIENCY VIRUS (HIV) PREVENTION AND PUBLIC HEALTH FUND ACTIVITIES	93.523	857,436
THE PATIENT PROTECTION AND AFFORDABLE CARE ACT OF 2010 (AFFORDABLE CARE ACT)		
AUTHORIZES COORDINATED CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION PROGRAM	93.544	72,488
ARRA - IMMUNIZATION	93.712	962,582
ARRA - PREVENTING HEALTHCARE-ASSOCIATED INFECTIONS	93.717	200,246
ARRA - PREVENTION AND WELLNESS STATE, TERRITORIES & PACIFIC ISLANDS	93.723	575,909
ARRA - PREVENTION AND WELLNESS - COMMUNITIES PUTTING PREVENTION TO WORK FUNDING OPPORTUNITIES ANNOUNCEMENT (FOA)	93.724	3,036,735
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XVIII) MEDICARE	93.777	1,170,102
MEDICAL ASSISTANCE PROGRAM	93.778	6,859,326
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XIX) MEDICAID	93.796	1,767,673
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	485,420
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	31,225,838
HIV CARE FORMULA GRANTS	93.917	23,304,972
HEALTHY START INITIATIVE	93.926	3,384,748

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	93.940	6,925,945
HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) SURVEILLANCE	93.944	1,688,347
ASSISTANCE PROGRAMS FOR CHRONIC DIDEASE PREVENTION & CONTROL	93.945	278,072
BLOCK GRANTS FOR PRVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	6,304,949
PREVENTIVE HEALTH SVCS_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	1,146,642
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991	358,828
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANTTO THE STATES	93.994	7,096,694
Total Department of Health		149,979,654
Homeland Security / Emergency Management		
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM	11.555	1,563,321
NON-PROFIT SECURITY PROGRAM	97.008	1,143,001
COMMUNITY ASSISTANCE PROGRAM STATE SUPPORT SERVICES ELEMENT (CAP-SSE)	97.023	86,349
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	3,182,978
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	2,323,203
COOPERATING TECHNICAL PARTNERS	97.045	110,000
EMERGENCY OPERATIONS CENTER	97.052	998,400
INTEROPERABLE EMGERGENCY COMMUNICATIONS	97.055	387,091
HOMELAND SECURITY GRANT PROGRAM	97.067	70,048,392
RAIL AND TRANSIT SECURITY GRANT PROGRAM	97.075	26,846,679
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078	1,533,376
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111	4,552,555
Total Homeland Security / Emergency Management		112,775,345

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

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 (CDBG)	14.218	23,337,188
COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM & NON ENTITLEMENT GRANTS IN HAWAII	14.228	222,503
EMERGENCY SHELTER GRANT PROGRAM	14.231	(5,502)
SHELTER PLUS CARE	14.238	990,656
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239	10,703,218
ARRA - COMMUNITY DEVELOPMENT BLOCK GRANT ARRA ENTITLEMENT	14.253	555,715
ARRA - NEIGHBOURHOOD STABILIZATION PROGRAM	14.256	2,325,053
ARRA - TAX CREDIT ASSISTANCE PROGRAM ARRA	14.258	16,646
ARRA - HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM TECHNICAL ASSISTANCE	14.262	2,369,620
COMMUNITY CHALLENGE PLANNING GRANT AND THE DEPARTMENT OF TRANSPORTATION'S TIGER II PLANNING GRANTS	14.704	269,862
ARRA - LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.909	139,763
ARRA - RAGLTC- GRANTS IN LIEU OF TAX CREDITS SEC	21.GRDC15	727,505
Total Department of Housing and Community Development		41,652,227
Child and Family Services		
GUARDIANSHIP ASSISTANCE	93.090	1,897,626
PROMOTING SAFE AND STABLE FAMILIES	93.556	860,094
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590	98,632
CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	93.599	213,722
CHILDREN'S JUSTICE GRANTS TO STATES	93.643	47,453
CHILD WELFARE_SERVICES_STATE GRANTS	93.645	428,563
FOSTER CARE_TITLE IV-E	93.658	37,778,986
ADOPTION ASSISTANCE	93.659	15,821,452
CHILD ABUSE AND NEGLECT STATE GRANTS	93.669	27,500
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	810,127
Total Child and Family Services		57,984,155
District Department of the Environment		
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474	690
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113	474,133
SPORT FISH RESTORATION PROGRAM	15.605	958,390
STATE WILDLIFE GRANTS	15.634	76,850
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	1,147,649
ARRA - AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	767,046
STATE INDOOR RADON GRANTS	66.032	59,486
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034	71,663
ARRA - STATE CLEAN DIESEL GRANT PROGRAM	66.040	624,009
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	89,108
ARRA - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	4,675,372
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL RPROGRAM SUPPORT	66.419	1,482,595
WATER QUALITY MANAGEMENT PLANNING PROGRAM	66.454	100,000
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460	806,472
CHESAPEAKE BAY PROGRAM	66.466	1,016,662
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	38,198

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
PERFORMANCE PARTNERSHIP GRANTS	66.605	516,568
TSCA TITLE IV STATE LEAD GRANTS CERTIFICATION OF LEAD-BASED PAINT PROFESSIONALS	66.707	172
POLLUTION PREVENTION GRANTS PROGRAM	66.708	410,262
ARRA - SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE SPECIFIC COOPERATIVE AGREEMENTS	66.802	214,169
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804	589,062
ARRA - LEAKING UNDERGROUND STORAGE TANK TRUST FUND CORRECTIVE ACTION	66.805	39
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	173,907
STATE AND TRIBAL RESPONSE PROGRAM GRANTS	66.817	190,000
NATIONAL ENERGY INFORMATION CENTER	81.039	1,736
STATE ENERGY PROGRAM	81.041	172,475
ARRA - STATE ENERGY PROGRAM	81.041	2,890,719
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	488,759
ARRA - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	2,201,729
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, RESEARCH, DEVELOPMENT AND ANALYSIS	81.122	137,028
ARRA - ENERGY EFFICIENT APPLIANCE REBATE PROGRAM (EEARP)	81.127	96,810
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128	3,806,271
CHILDHOOD LEAD POISONING PREVENTION PROJECTS_STATE AND LOCAL CHILDHOOD LEAD POISONING PREVENTION AND SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	93.197	465,473
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM	93.568	9,617,263
Total District Department of the Environment		34,360,765
Department of Disability Services		
REHABILITATION SERVICES_VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	13,833,606
INDEPENDENT LIVING_STATE GRANTS	84.169	241,205
REHABILITATION SERVICES_INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND	84.177	184,304
SUPPORTED EMPLOYMENT SERVICES FOR INDIVIDUALS WITH THE MOST SIGNIFICANT DISABILITIES	84.187	221,960
ASSISTIVE TECHNOLOGY	84.224	575,317
MEDICAID INFRASTRUCTURE GRANT (MIG) TO SUPPORT THE COMPETITIVE EMPLOYMENT OF PEOPLE WITH DISABILITIES	93.768	435,196
MEDICAL ASSISTANCE PROGRAM	93.778	5,165,842
SOCIAL SECURITY_DISABILITY INSURANCE	96.001	8,141,888
Total Department of Disability Services		28,799,318
Office of the Attorney General		
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	16,744,423
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597	92,871
Total Office of the Attorney General		16,837,294
University of the District of Columbia		
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	149,157
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203	683,326
COOPERATIVE EXTENSION SERVICE	10.500	1,312,275
BASIC, APPLIED, AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630	131,139
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805	72,178

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCCT) GRANTS	17.282	381,006
LOW-INCOME TAXPAYER CLINICS	21.008	53,193
ENGINEERING GRANTS	47.041	22,577
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	7,356
EDUCATION AND HUMAN RESOURCES	47.076	713,934
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007	730,481
HIGHER EDUCATION _INSTITUTIONAL AID	84.031	4,174,781
FEDERAL WORK-STUDY PROGRAM	84.033	175,646
TRIO _TALENT SEARCH	84.044	414,372
TRIO _UPWARD BOUND	84.047	276,928
FEDERAL PELL GRANT PROGRAM	84.063	10,167,300
MINORITY SCIENCE AND ENGINEERING IMPROVEMENT	84.120	89,222
FEDERAL DIRECT STUDENT LOANS	84.268	30,297,806
CAPACITY BUILDING FOR TRADITIONALLY UNDERSERVED POPULATIONS	84.315	150,834
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS FOR CHILDREN WITH DISABILITIES	84.325	247,016
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	614,283
CANCER CAUSE AND PREVENTION RESEARCH	93.393	133,911
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	1,417,328
SCHOLASHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	123,394
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	479,143
SENIOR COMPANION PROGRAM	94.016	298,162
HOMELAND SECURITY-RELATED SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (HS STEM) CAREER DEVELOPMENT PROGRAM	97.104	156,708
Total University of the District of Columbia		53,473,456

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
District of Columbia Public Schools		
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	677,482
HEAD START	93.600	6,363,489
HEAD START - PASS-THROUGH FUNDING	93.600	3,850,541
Total District of Columbia Public Schools		10,891,512
Office on Aging		
SPECIAL PROGRAMS FOR THE AGING_ Title Vii, CHAPTER 3_ PROGRAMS FOR PREVENTION OF ELDER ABUSE, NEGLECT, AND EXPLOITATION	93.041	21,673
SPECIAL PROGRAMS FOR THE AGING_ TITLE VII, CHAPTER 2_ LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	93.042	91,773
SPECIAL PROGRAMS FOR THE AGING_ TITLE III, PART B_ GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	1,488,908
SPECIAL PROGRAMS FOR THE AGING_ TITLE III, PART C_ NUTRITION SERVICES	93.045	3,176,264
SPECIAL PROGRAMS FOR THE AGING_ TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	147,196
ALZHEIMERS'S DISEASE DEMONSTRATION GRANTS TO STATES	93.051	16,520
NATIONAL FAMILY CAREGIVERS SUPPORT TITLE III PART E	93.052	716,994
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	418,932
DC LIFESPAN RESPITE PROGRAM	93.072	21,497
AFFORDABLE CARE ACT - AGING AND DISABILITY RESOURCE CENTER	93.517	128,059
AFFORDABLE CARE ACT - MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS	93.518	45,692
CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS) RESEARCH , DEMONSTRATIONS AND EVALUATIONS	93.779	145,916
Total Office on Aging		6,419,424
Department of Mental Health		
SUPPORTIVE HOUSING PROGRAM	14.235	156,061
COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)	93.104	259,791
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150	199,979
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	488,613
MEDICAL ASSISTANCE PROGRAM	93.778	5,822,252
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	552,282
Total Department of Mental Health		7,478,978
Metropolitan Police Department		
SERVICES FOR TRAFFICKING VICTIMS	16.320	139,266
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607	33,867
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	3,262,274
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	492,776
NATIONAL MOTOR CARRIER SAFETY	20.218	897,482
STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT GRANTS	20.610	9,507
BOATING SAFETY FINANCIAL ASSISTANCE	97.012	875,159
MISC. FEDERAL PROGRAM/MOU	16.UNK	495,703
Total Metropolitan Police Department		6,206,034
Deputy Mayor for Public Safety and Justice		

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
SEXUAL ASSAULT SERVICES FORMULA PROGRAM	16.017	17,000
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523	461,050
JUVENILE JUSTICE AND DELINQUENCY PREVENTION ALLOCATION TO STATES	16.540	666,758
TITLE V DELINQUENCY PREVENTION PROGRAM	16.548	2,089
STATE JUSTICE STATISTICS PROG FOR STATICAL ANALYSIS CENTERS	16.550	(338)
CRIME VICTIM ASSISTANCE PROGRAM	16.575	1,173,020
EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579	28,976
ED BYRNE MEMORIAL STATE & LOCAL LAW ENFORCEMENT ASSISTANCE GRANTS	16.580	66,348
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	714,869
GRANTS TO ENCOURAGE ARREST POLICIES & ENFORCEMENT OF PROTECT ORDERS	16.590	(936)
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593	71,663
PROJECT SAFE NEIGHBORHOODS	16.609	71,163
ENFORCING UNDERAGE DRINKING LAWS PROGRAM	16.727	306,847
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROG	16.738	3,038,426
PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	16.742	163,818
RECOVERY ACT-EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG)	16.803	1,530,725
JOHN R JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	16.816	85,474
Total Deputy Mayor for Public Safety and Justice		8,396,952
Deputy Mayor for Economic Development		
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.607	1,530,529
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	428,322
Total Deputy Mayor for Economic Development		1,958,851
Serve DC/Office of the Mayor		
STATE COMMISSIONS	94.003	285,788
LEARN AND SERVE AMERICA_SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	411,041
AMERICORPS	94.006	3,224,030
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	58,874
TRAINING AND TECHNICAL ASSISTANCE	94.009	70,446
Total Serve DC/Office of the Mayor		4,050,179
Office of the Inspector General		
STATE MEDICAID FRAUD CONTROL UNITS	93.775	2,043,968
Total Office of the Inspector General		2,043,968
DC National Guard		
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401	2,125,905
NATIONAL GUARD CHALLENGE PROGRAM	12.404	821,027
Total DC National Guard		2,946,932
Fire and Emergency Medical Services		
ASSISTANCE TO FIREFIGHTERS GRANT	97.044	1,825,495
Total Fire and Emergency Medical Services		1,825,495
DC Public Library		

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	373,200
GRANTS TO STATES	45.310	920,394
Total DC Public Library		1,293,594
Commission on Arts & Humanities		
PROMOTION OF THE ARTS_GRANTS TO ORGANIZATIONS AND INDIVIDUALS	45.024	25,000
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	761,985
Total Commission on Arts & Humanities		786,985
Office of the Chief Financial Officer		
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	563,101
Total Office of the Chief Financial Officer		563,101
Department of Youth Rehabilitation Services		
SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	16.812	130,122
WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	17.261	2,571,557
Total Department of Youth Rehabilitation Services		2,701,679
Office of Municipal Planning		
ECONOMIC ADJUSTMENT ASSISTANCE	11.307	168,811
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	570,411
Total Office of Municipal Planning		739,222
Office of the Chief Technology Officer		
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	10,626,428
ARRA - STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM	11.558	1,124,113
Total Office of the Chief Technology Officer		11,750,541
Department of Small & Local Business Development		
STATE TRADE AND EXPORT PROMOTION PILOT GRANT PROGRAM (SBA)	59.061	249,362
Total Department of Small & Local Business Development		249,362
Office of Human Rights		
FAIR HOUSING ASSISTANCE PROGRAM_STATE AND LOCAL	14.401	283,373
EMPLOYMENT DISCRIMINATION_TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001	132,662

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

**Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency
For the Year Ended September 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Total Office of Human Rights		<u>416,035</u>
Public Service Commission		
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700	279,107
PHMSA PIPELINE SAFETY PROGRAM ONE CALL GRANT	20.721	59,745
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, RESEARCH, DEVELOPMENT AND ANALYSIS	81.122	223,014
Total Public Service Commission		<u>561,866</u>
Office of Disability Rights		
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630	605,697
Total Office of Disability Rights		<u>605,697</u>
Department of Corrections		
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606	426,360
Total Department of Corrections		<u>426,360</u>
Department of Motor Vehicles		
EDWARD BYRNE MEMORIAL COMPETITIVE GRANT PROGRAM	16.751	99,960
NATIONAL MOTOR CARRIER SAFETY	20.218	68,432
DRIVER LICENSE SECURITY GRANT PROGRAM	97.089	301,638
Total Department of Motor Vehicles		<u>470,030</u>
Department of Insurance, Securities and Banking		
AFFORDABLE CARE ACT (ACA) GRANTS TO STATES FOR HEALTH INSURANCE PREMIUM REVIEW	93.511	469,094
STATE SMALL BUSINESS CREDIT INITIATIVE	21.UNK	6,913
Total Department of Insurance, Securities and Banking		<u>476,007</u>
Department of Park and Recreation		
OUTDOOR RECREATION_ACQUISITION, DEVELOPMENT AND PLANNING	15.916	177,142
Total Department of Park and Recreation		<u>177,142</u>
Office of Administrative Hearing		
MEDICAL ASSISTANCE PROGRAM	93.778	77,853
Total Office of Administrative Hearing		<u>77,853</u>
Criminal Justice Coordinating Council		
STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS CENTERS	16.550	60,360
Total Criminal Justice Coordinating Council		<u>60,360</u>
Board of Election and Ethics		
VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES_GRANTS TO STATES	93.617	27,444
Total Board of Election and Ethics		<u>27,444</u>
Total Expenditures of Federal Awards		<u>\$ 3,296,062,195</u>

See accompanying independent auditors' report and notes to the schedules of expenditures of federal awards.

Government of the District of Columbia

Notes to the Schedules of Expenditures
of Federal Awards
Year Ended September 30, 2012

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Schedules of Expenditures of Federal Awards (the Schedules) include the activity of all federal award programs administered by the Government of the District of Columbia (District), except for the District of Columbia Housing Finance Agency (HFA) and the District of Columbia Water & Sewer Authority (WASA), for the fiscal year ended September 30, 2012. These component units engaged other auditors to perform an audit in accordance with OMB Circular A-133, and, as such the federal awards for these two entities are excluded from the Schedules.

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

Basis of Presentation

The Schedules present total federal awards expended for each individual federal program in accordance with OMB Circular A-133. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (Catalog). Federal award program titles not presented in the Catalog are identified by Federal awarding agency's two digit prefix (or 99) followed by (contract number or UNKNOWN).

Basis of Accounting

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

Matching Costs

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

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2012**

Note 2. Relationship to Federal Financial Reports

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

Note 3. Federally Funded Loan Programs

Community Development Block Grants (CFDA #14.218)

The amount of total program expenditures in the accompanying schedules is \$24,321,225, which includes current year loan disbursements. The outstanding loans cumulative balance as of September 30, 2012, is \$285,928,084.

Home Investment Partnerships Program (CFDA #14.239)

The amount of total program expenditures in the accompanying schedules is \$10,703,218, which includes current year loan disbursements. The outstanding loans cumulative balance as of September 30, 2012, is \$82,156,106.

Federal Direct Student Loan Program (CFDA #84.268)

The District, through the University of the District of Columbia (UDC), participates in the Federal Direct Student Education Loan Program. Beginning July 1, 2010 the University of the District of Columbia began participating in the Federal Direct Loans Program. In FY 2012, new loans made to students enrolled at the University of the District of Columbia under the Federal Loan Program, CFDA #84.268 totals \$30,297,806. This amount is included in the Schedules.

Beginning Balance	\$17,097,048
Add: New Loans	<u>30,297,806</u>
	47,394,854
Less: Principal Payments	-
Ending Balance	<u>\$47,394,854</u>

Federal Student Financial Assistance

The composition of the University of the District of Columbia (UDC) Federal Student Financial Assistance in FY 2012 is as follows:

Program Title	CFDA #	Amount
Federal Direct Student Loans	84.268	\$30,297,806
Federal Pell Grant	84.063	10,167,300

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2012**

Federal Work-Study Program	84.033	175,646
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	<u>730,481</u>
Subtotal – U.S. Department of Education		41,371,233
Scholarships For Health Professions Students From Disadvantaged Students	93.925	<u>123,394</u>
Subtotal – U.S. Department of Health And Human Services		<u>123,394</u>
Total – Federal Student Financial Assistance		<u>\$41,494,627</u>

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

During fiscal year 2012, the District received cash rebates from infant formula manufacturers totaling \$4,868,598 on sales of formula to participants in the WIC program (CFDA #10.557), which are netted against total expenditures included in the Schedules. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

Note 5. Non-Cash Awards

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

Food Stamps Program – EBT Redemption

The food stamp program recorded the gross up of the amount of food stamps totaling \$235,057,947 that were used by the District citizens for FY 2012. The Food Stamp Program is a program that is funded by the Federal Government, and these expenditures are not charged against the District’s budget but included in the SEFA as CFDA #10.551 in compliance with the United States Department Agriculture guidance on *Reporting Expenditures of Supplemental Nutrition Assistance Program (SNAP) Funding in Connection With A-113 Single Audits*.

The reported expenditures for benefits under the SNAP (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2012**

Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 16.55 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011, the most recent period for which this information is available.

Commodities – Food Nutrition Service

The total non-cash award value for food commodities (e.g. milk, cheese, etc.) provided to the District of Columbia Office of the State Superintendent of Education during fiscal year 2012 is \$1,881,129, with \$1,105,536 distributed to the District of Columbia Public Schools and the remaining non-cash award to other local educational agencies (LEAs) in the District. This non-cash award is a program that is funded by the U.S. Department of Agriculture (USDA) under CFDA #10.579, and these amounts are not included in the SEFA.

Note 6. Unemployment Insurance

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

The composition of CFDA #17.225 in fiscal year 2012 is as follows:

State UI Benefits	\$156,961,861
Federal UI Benefits	8,708,090
Federal Extended UI Benefits	179,229,928
Federal UI Administrative Expenditures	<u>16,992,169</u>
Subtotal	361,892,048

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2012**

Additional Federal Unemployment Compensation	
ARRA – Federal UI	<u>13,568</u>
Total	<u>\$361,905,616</u>

Note 7. Head Start

In fiscal year 2012 the D.C. Public Schools received additional Head Start funds passed through from the United Planning Organization as a delegate to provide services under the Head Start program. These pass through funds are included in the accompanying schedules under CFDA# 93.600.

Grant	CFDA #	Expense Reported
Head Start & Early Head Start	93.600	\$ <u>3,850,541</u>

**Government of the District of Columbia
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2012**

Note 8. Subrecipients

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

<u>Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Homeland Security Grant Program	97.067	\$48,490,018
HIV Care Formula Grants	93.917	4,906,818
HIV Emergency Relief Project Grants Agencies	93.914	28,765,797
Child Care and Development Fund Cluster:		
Child Care Mandatory and Matching Funds of the Child Care & Development Block Grant	93.596	7,465,665
Child Care and Development Block Grant	93.575	1,930,319
Community Service Block Grants	93.568	10,022,007
ARRA – State Fiscal Stabilization Fund (SFSF)		
Race to the Top Incentive Grant	84.395	29,916,054
Improving Teacher Quality State Grants	84.367	16,905,326
Special Education Cluster:		
Special Education Grants to States	84.027	13,484,691
Special Education – Preschool Grants	84.173	186,140
Title I Grants to Local Education Agencies Cluster:		
Title I Grants to Local Education Agencies	84.010	52,858,806
ARRA – Title I Grants to Local Education Agencies	84.389	2,373,044
Housing Opportunities for Persons with AIDS	14.241	12,559,333
Community Development Block Grants Cluster:		
Community Development Block Grants	14.218	19,019,786
ARRA – Community Development Block Grants	14.253	581,736
Special Supplemental Nutrition Program for Women, Infants, and Children Cluster	10.557	3,223,079
Child Nutrition Cluster:		
School Breakfast Program (OSSE)	10.553	7,936,888
National School Lunch Program	10.555	20,409,007
Special Milk Program for Children	10.556	15,234
Summer Food Service Program for Children	10.559	<u>2,820,057</u>
Total		<u>\$283,869,805</u>

Government of the District of Columbia

Schedule of Findings
And Questioned Costs
Year Ended September 30, 2012



GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2012

1. Summary of Auditor's Results

Basic Financial Statements

- a) Unqualified opinions were issued on the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District) as of and for the year ended September 30, 2012.
- b) The audit identified no material weaknesses and four significant deficiencies in internal control over financial reporting in connection with the basic financial statements of the District as of and for the year ended September 30, 2012.
- c) The audit disclosed an instance of noncompliance that is material to the basic financial statements of the District as of and for the year ended September 30, 2012.

Single Audit

- d) The audit of the Federal financial assistance disclosed material weaknesses and significant deficiencies that were reported in connection with major Federal programs of the District for the year ended September 30, 2012.
- e) The type of report issued on compliance for each major program is as follows:

#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
1	Supplemental Nutrition Assistance Program	10.551, 10.561	Qualified
2	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	Scope Limitation
3	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	Qualified
4	Broadband Technology and Opportunities Program	11.557	Qualified
5	Community Development Block Grants/Entitlement Grants	14.218, 14,253	Qualified
6	HOME Investment Partnerships Program	14.239	Qualified
7	Housing Opportunities for Persons with Aids	14.241	Qualified
8	Unemployment Insurance	17.225	Qualified
9	Highway Planning and Construction	20.205	Unqualified
10	Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268, 93.407, 93.925	Adverse
11	Title I Grants to Local Educational Agencies	84.010, 84.391	Qualified
12	Special Education Cluster	84.027, 84.173, 84.391, 84.392	Qualified
13	Vocational Rehabilitation	84.126, 84.390	Qualified

#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
14	Improving Teacher Quality State Grants	84.367	Qualified
15	State Fiscal Stabilization Fund	84.395	Qualified
16	Temporary Assistance for Needy Families	93.558, 93.714	Qualified
17	Child Support Enforcement	93.563	Qualified
18	Community Services Block Grant	93.568	Unqualified
19	Head Start	93.600, 93.708	Qualified
20	Child Care and Development Fund Cluster	93.575, 93.596, 93.713	Qualified
21	Foster Care-Title IV-E	93.658	Qualified
22	Adoption Assistance	93.659	Adverse
23	Children's Health Insurance Program	93.767	Qualified
24	Medical Assistance Program	93.775, 93.777, 93.778	Qualified
25	HIV Emergency Relief	93.914	Scope Limitation
26	HIV Care Formula Grant	93.917	Adverse
27	Rail and Transit Security Program	97.075	Unqualified
28	Homeland Security Grant	97.067	Qualified

- f) There were audit findings that are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended September 30, 2012.
- g) The major Federal programs of the District for the year ended September 30, 2012 were as follows:

#	Major Program/Cluster	CFDA Number(s)
1	Supplemental Nutrition Assistance Program	10.551, 10.561
2	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
3	Special Supplemental Nutrition Program for Women, Infants and Children	10.557
4	Broadband Technology and Opportunities Program	11.557
5	Community Development Block Grants/Entitlement Grants	14.218, 14,253
6	HOME Investment Partnerships Program	14.239
7	Housing Opportunities for Persons with Aids	14.241
8	Unemployment Insurance	17.225
9	Highway Planning and Construction	20.205
10	Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268, 93.407, 93.925
11	Title I Grants to Local Educational Agencies	84.010, 84.391
12	Special Education Cluster	84.027, 84.173, 84.391, 84.392
13	Vocational Rehabilitation	84.126, 84.390
14	Improving Teacher Quality State Grants	84.367
15	State Fiscal Stabilization Fund	84.395

#	Major Program/Cluster	CFDA Number(s)
16	Temporary Assistance for Needy Families	93.558, 93.714
17	Child Support Enforcement	93.563
18	Community Services Block Grant	93.568
19	Head Start	93.600, 93.708
20	Child Care and Development Fund Cluster	93.575, 93.596, 93.713
21	Foster Care-Title IV-E	93.658
22	Adoption Assistance	93.659
23	Children's Health Insurance Program	93.767
24	Medical Assistance Program	93.775, 93.777, 93.778
25	HIV Emergency Relief	93.914
26	HIV Care Formula Grant	93.917
27	Rail and Transit Security Program	97.075
28	Homeland Security Grant Program	97.067

- h) The dollar threshold used to distinguish between Type A and Type B programs was \$10,998,085 for Federal awards for the year ended September 30, 2012.
- i) The District did not qualify as a low-risk auditee for the year ended September 30, 2012.

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

See Appendix A to the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters at pages 3 through 23 for a description of the findings 2012-01 through 2012-04 related to the basic financial statements reported in accordance with *Government Auditing Standards*.

1. Findings and Questioned Costs Related to Federal Awards:

<i>Finding Number</i>	<i>2012-05</i>		
<i>Federal Awarding Agency</i>	<i>Federal Program</i>	<i>CFDA Number(s)</i>	<i>Grant Award Number</i>
Agriculture	Supplemental Nutrition Assistance Program	10.551, 10.561	12121DC700W1003, 12121DC700W100, 12121DC700W5003
Agriculture	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	1DC300302
Agriculture	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	12121DC700W1003, 12121DC700W1006, 12121DC700W5003
Housing and Urban Development	Community Development Block Grants/Entitlement Grants	14.218, 14.253	B-09-MY-11-0100 B11-MC-11-0001
Housing and Urban Development	Housing Opportunities for Persons with AIDS	14.241	DCH11-F001
Labor	Unemployment Insurance	17.225	Various
Education	Title I Grants to Local Educational Agencies	84.010, 84.389	S010A110051-11B
Education	Special Education Cluster	84.027,84.173, 84.391, 84.392	H027A110010, H173A110006
Education	Vocational Rehabilitation Grants to States	84.126, 84.390	H126A120011-12
Education	States Fiscal Stabilization Fund - Race to the Top	84.395	S395A100048
Health and Human Services	Temporary Assistance for Needy Families	93.558, 94.714	1202DCTANF, G-1102DCTANF, G-1002DCTANF, G-0901DCTAN2
Health and Human Services	Child Support Enforcement	93.563	91CESF
Health and Human Services	Community Services Block Grant	93.569	G-11B1DCCOSR
Health and Human Services	Child Care and Development Fund	93.575, 93.596	G1201DCCCDF
Health and Human Services	Head Start	93.600, 93.708	03CH023325, 03CH023326
Health and Human Services	Foster Care - Title IV-E	93.658	Various
Homeland Security	Homeland Security Grant Program	97.067	EMW-2011-SS-00093, 2010-SS-T0-0010, 2009-SS-T9-0085
Homeland Security	Rail and Transit Security Grant	97.075	2008-RL-T8-K003, 2007-RL-T7-K009, 7TSGP551-03

<i>District Department</i>	Office of Finance and Treasury (OFT)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

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

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

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

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Condition

While performing CMIA compliance test work for the District of Columbia (The District), we identified the following:

- In fiscal year 2012, the District’s interest calculation template which OFT provides to all programs, used the incorrect annualized interest rate of 0.06% when they should have used 0.07% as required by the U.S. Department of Treasury, Financial Management Services (FMS).

The District incorrectly calculated the clearance pattern for Federal funds as beginning on the date that the District submitted the request for reimbursement to the Federal government. In accordance with 31 CFR, the clearance pattern is defined as “the day a State pays out its own funds for Federal assistance programs to the day Federal funds are credited to a State’s bank”.

- In addition, based on a review of applicable grant award documents, we identified 18 of 28 District major programs that did not adhere to the CMIA requirements as defined in Public Law No. 101-453; 31 USC 650 I which are listed below:

#	Federal Program	CFDA Number(s)
1	Supplemental Nutrition Assistance Program	10.551, 10.561
2	Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
3	Special Supplemental Nutrition Program for Women, Infants and Children	10.557
4	Community Development Block Grants/Entitlement Grants	14.218, 14.253
5	Housing Opportunities for Persons with AIDS	14.241
6	Unemployment Insurance	17.225
7	Homeland Security Grant Program	97.067
8	Title I Grants to Local Educational Agencies	84.010, 84.389
9	Special Education Cluster	84.027,84.173,84.391, 84.392
10	Vocational Rehabilitation Grants to States	84.126, 84.390
11	States Fiscal Stabilization Fund - Race to the Top	84.395
12	Rail and Transit Security Grant	97.075
13	Temporary Assistance for Needy Families	93.558, 93.714
14	Child Support Enforcement	93.563
15	Community Services Block Grant	93.569
16	Child Care and Development Fund	93.575, 93.596
17	Head Start	93.600, 93.708
18	Foster Care - Title IV-E	93.658

Cause

The Office of Finance and Treasury did not verify that the interest calculation template distributed to each District agency was updated from prior year and that it was accurately calculating the clearance pattern and the interest receivable or payable to the District.

Effect

The District understated the interest due to and from the United States Treasury by using a lower rate of interest. The District also understated the amount of interest due from the United States Treasury by calculating the clearance pattern based on the date Federal funds were requested for reimbursement by the District rather than the date Federal funds were expended by the District.

Recommendation

We recommend that OFT strengthen its internal controls over preparing the CMIA interest template to ensure they are correctly calculating the interest receivable and payable in accordance with CMIA.

Related Noncompliance

Noncompliance for all programs listed except for as follows:

Child Nutrition Cluster Program due to a scope limitation noted for Cash Management at Finding 2012-12

Head Start which is Material Noncompliance (when considered in conjunction with Finding 2012-92)

Questioned Costs

None

Views of Responsible Officials

We agree with the findings as it relates to the use of improper interest rates. We will use extra care going forward to ensure that proper interest rate is used.

We disagree with the finding related to the CMIA template. There is no issue with how the CMIA template is currently devised. We calculate interest using the date paid whenever agencies are requesting reimbursements in a timely fashion. However, in the cases where agencies do not request reimbursements as soon as they are allowed by law, we do not use the date paid as a reference point because to do so would be to over-collect federal interest liability. To revise the template the way KPMG advised would be to penalize the Federal Government for our delay in requesting reimbursements. While agencies should all be collecting reimbursements in a timely fashion, OFT does not and cannot control when reimbursements are drawn. Therefore, no correction can be performed by OFT.

KPMG Response

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

Finding Number**2012-06**

Federal Awarding Agency	CFDA Number(s)	Federal Program	Federal Award Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	12121DC700W1003, 12121DC700W1006, 12121DC700W5003
Commerce	11.557	Broadband Technology Opportunities Program	NT10BIX5570081, 11-43-B10536, 11-41-B10518
Health and Human Services	93.558, 93.714	Temporary Assistance Needy Families (TANF)	1202DCTANF, G-1102DCTANF, G-1002DCTANF, G-0901DCTAN2
Health and Human Services	93.563	Child Support Enforcement	91CESF
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	1205DC5ADM, 1205DC5MAP
Health and Human Services	93.914	HIV Emergency	H89HA00012-22-00, H89HA00012-21-04
Health and Human Services	93.917	HIV Care	2X07HA00045-22-00 6X07HA00045-21-01
Homeland Security	97.067	Homeland Security	EMW-2011-SS-00093, 2010-SS-T0-0010, 2009-SS-T9-0085

Prior Year Finding**2011-04****District Department****Office of Contracting and Procurement (OCP)/Independent Agency****Compliance Requirement****Procurement and Suspension and Debarment****Finding Related to ARRA****Yes****Criteria**

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

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

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

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

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

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

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

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

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

Condition

During our FY 2012 procurement testwork we selected a sample of 66 procurement actions, 13 of which were actions by Independent Agencies and 53 which were by the District’s Office of Contracting and Procurement (OCP).

Of the 13 Independent Agencies procurement actions, we noted the following:

- 1. For 1 Department of Mental Health (DMH) procurement, there was no evidence of cost/price analysis.
- 2. For 1 DMH procurement, there was no evidence competition or competitive bidding.

CFDA #	Federal Program	Sample Size	Exceptions
93.775, 93.777, 93.778	Medical Assistance Program – DDS	3	1
93.775, 93.777, 93.778	Medical Assistance Program – DMH	8	1
97.067	Homeland Security	2	0
	Total	13	2

Of the 53 OCP procurement actions, we noted the following:

1. For 6 procurements, there was insufficient documentation maintained in the contract file to support whether the procurement went through competition or lack thereof.
2. For 1 procurement, the sole source procurement was not properly justified.
3. For 1 procurement, the Determination & Finding (D&F) provided was not signed by the Contracting Officer.
4. For 6 procurements, there was no signed contract covering the PO.
5. For 3 procurements over \$1 million, there was no evidence of Council approval.
6. For 3 procurements over \$1 million, there was no evidence of Office of the Attorney General's approval.
7. For 5 procurements, the determination and finding (D&F) provided did not cover the period being audited.
8. For 4 procurements, the district tax compliance documentation was not provided for review.

CFDA #	Federal Program	Sample Size	Exceptions
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	5	2
11.557	Broadband Technology Opportunities Program	8	1
93.558, 93.714	Temporary Assistance Needy Families (TANF)	8	0
93.563	Child Support Enforcement	4	2
93.775, 93.777, 93.778	Medical Assistance Program	14	7
93.914	HIV Emergency	2	0
93.917	HIV Care	6	2
97.067	Homeland Security	6	2
	<i>Total</i>	<i>53</i>	<i>16</i>

Cause

Both OCP and the Independent Agencies did not adhere to the District's procurement laws and regulations to maintain documentation supporting procurements.

Effect

The District was non-compliant with Federal and local procurement laws and regulations.

Recommendation

We recommend that both OCP and the Independent Agencies strengthen their internal controls over procurement to ensure that they are compliant with the DC procurement laws and regulations.

Related Noncompliance

Material Noncompliance for the following programs:

<i>Federal Awarding Agency</i>	<i>CFDA Number(s)</i>	<i>Federal Program</i>	<i>Federal Award Number</i>
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	12121DC700W1003, 12121DC700W1006, 12121DC700W5003
Commerce	11.557	Broadband Technology Opportunities Program	NT10BIX5570081, 11-43-B10536, 11-41-B10518
Health and Human Services	93.563	Child Support Enforcement	91CESF
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	1205DC5ADM, 1205DC5MAP
Health and Human Services	93.917	HIV Care	2X07HA00045-22-00 6X07HA00045-21-01
Homeland Security	97.067	Homeland Security	EMW-2011-SS-00093, 2010-SS-T0-0010, 2009-SS-T9-0085

Questioned Costs

None

Views of Responsible Officials

In a June 29, 2011 response to a request to ratify the Agency Representation letter for the FY10 Single Audit, OCP management requested a waiver to give the organization time to restructure and implement a number of institutional reforms designed to strengthen internal controls. It must be noted that in 2011, a new director was appointed towards the end of the 2nd quarter, several senior staffers had left the agency, and a Reduction-In-Force (RIF) was in effect. The express commitment made by management was that conditions relative to compliance would improve in subsequent audit cycles.

As detailed in the table below, OCP management has followed through on this commitment. In FY10, OCP was held accountable for over \$4 million in questioned costs, funds that potentially the District would have had to repay to federal government. Note that in FY 2008, noncompliance issues led to \$95 million in questioned costs by the composite federal agency. These challenges are subsequently resolved, in part, through the implementation of OCP’s multi-year CAFR remediation action plan and evidence of improvements year over year. As noted below, for the second consecutive year, OCP has not recorded questioned costs.

Fiscal year	Documentation	EPLS	FY Total	Questioned Costs
FY 2012	16	10	26	\$0
FY 2011	38	23	61	\$0
FY 2010	42	30	72	\$4.3 million

OCP will continue to improve operating effectiveness and design, areas that will be the focus of the Mayor's procurement reform initiative.

Finding Number**2012-07**

Federal Awarding Agency	CFDA Number(s)	Federal Program	Federal Award Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	12121DC700W1003, 12121DC700W1006, 12121DC700W5003
Commerce	11.557	Broadband Technology Opportunities Program	NT10BIX5570081, 11-43-B10536, 11-41-B10518
Health and Human Services	93.558, 93.714	Temporary Assistance Needy Families (TANF)	1202DCTANF, G-1102DCTANF, G-1002DCTANF, G-0901DCTAN2
Health and Human Services	93.563	Child Support Enforcement	91CESF
Health and Human Services	93.775, 93.777, 93.778	Medical Assistance Program	1205DC5ADM, 1205DC5MAP
Health and Human Services	93.914	HIV Emergency	H89HA00012-22-00, H89HA00012-21-04
Health and Human Services	93.917	HIV Care	2X07HA00045-22-00 6X07HA00045-21-01
Homeland Security	97.067	Homeland Security	EMW-2011-SS- 00093, 2010-SS-T0- 0010, 2009-SS-T9- 0085

**Prior Year Finding
District Department****2011-04****Office of Contracting and Procurement (OCP)/Health and Human
Services****Compliance Requirement
Finding Related to ARRA****Procurement and Suspension and Debarment
Yes****Criteria**

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

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may

be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition

During our FY 2012 procurement testwork, we selected a sample of 66 different contract files corresponding to 66 transactions, 13 of which were actions by Independent Agencies and 53 which were by the District’s Office of Contracting and Procurement (OCP). For the 13 Independent Agencies procurement actions, we noted the following:

1. For 1 Department of Disability Services (DDS) procurement, we noted that there was no evidence to show that the agency performed an EPLS search.

CFDA #	Federal Program	Sample Size	Exceptions
93.775, 93.777, 93.778	Medical Assistance Program – DDS	3	0
93.775, 93.777, 93.778	Medical Assistance Program – DMH	8	1
97.067	Homeland Security	2	0
	Total	13	1

For the 53 OCP procurement actions, we noted the following:

2. For 10 procurements, there was no evidence that the District ensured that the vendor was not suspended or debarred. However, we performed our own search and noted that none of the vendors tested were suspended or debarred.

CFDA #	Federal Program	Sample Size	Exceptions
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	5	0
11.557	Broadband Technology Opportunities Program	8	0
93.558, 93.714	Temporary Assistance Needy Families (TANF)	8	4
93.563	Child Support Enforcement	4	0
93.775, 93.777, 93.778	Medical Assistance Program	14	2
93.914	HIV Emergency	2	0
93.917	HIV Care	6	4
97.067	Homeland Security	6	0
	Total	53	10

Cause

District procurement policies were not consistently adhered to therefore the suspension and debarment status of vendors serving the District who are paid using Federal funds was not properly maintained in the file.

Effect

Without adhering to existing policies and procedures relating to suspension and debarment, vendors who are paid using Federal funds could be suspended and debarred.

Recommendation

We recommend that the District strengthen their internal controls to ensure existing policies and procedures are being followed.

Related Noncompliance

Noncompliance for Temporary Assistance for Needy Families (TANF)

Material Noncompliance for Medical Assistance Program and HIV Care Formula Grants (when considered in conjunction with finding 2012-06)

Questioned Costs

None

Views of Responsible Officials

In a June 29, 2011 response to a request to ratify the Agency Representation letter for the FY10 Single Audit, OCP management requested a waiver to give the organization time to restructure and implement a number of institutional reforms designed to strengthen internal controls. It must be noted that in 2011, a new director was appointed towards the end of the 2nd quarter, several senior staffers had left the agency, and a Reduction-In-Force (RIF) was in effect. The express commitment made by management was that conditions relative to compliance would improve in subsequent audit cycles.

As detailed in the table below, OCP management has followed through on this commitment. In FY10, OCP was held accountable for over \$4 million in questioned costs, funds that potentially the District would have had to repay to federal government. Note that in FY 2008, noncompliance issues led to \$95 million in questioned costs by the composite federal agency. These challenges were subsequently resolved, in part, through the implementation of OCP's multi-year CAFR remediation action plan and evidence of improvements year over year. As noted below, for the second consecutive year, OCP has not recorded questioned costs.

Fiscal year	Documentation	EPLS	FY Total	Questioned Costs
FY 2012	16	10	26	\$0
FY 2011	38	23	61	\$0
FY 2010	42	30	72	\$4.3 million

OCP will continue to improve operating effectiveness and design, areas that will be the focus of the Mayor's procurement reform initiative.

<i>Finding Number</i>	2012-08
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Supplemental Nutrition Assistance Program (10.551, 10.561)
<i>Federal Award Number</i>	1DC400402
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Special Tests and Provisions – Quality Control Unit
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...*”

Per 7 CFR 275.2(b) the State or local government must establish a quality control unit that is independent of program operations. A Quality Case Action Review schedule for active cases and a Narrative Summary Sheet for negative cases are reviewed and approved by a supervisor. When a finding greater than \$50 is identified a Quality Control Response form is sent to the Office of Quality Assurance and Analysis (OQAA) and they must respond within 10 days by signing the response form. Further, once an error is found the supervisor must sign a Notification Report.

Condition

During our control testwork over the Special Test and Provision – Quality Control Unit, we noted that for 3 out of the 40 samples selected for testwork, management was unable to locate or provide the case file. Further, for one of the samples, we noted that the Quality Control Review Schedule was not signed by a supervisor.

Cause

Controls are not operating effectively over the review of the case files to ensure that adequate evidence of the case file review is maintained.

Effect

Without adequate internal controls to ensure management review and approval of the information included in the reports, there may be errors that are not being properly communicated to the OQAA. Additionally the District was unable to demonstrate full compliance with the Quality Control review requirements.

Recommendation

We recommend that management enforce existing policies and procedures to ensure that adequate documentation is maintained to evidence that the case files were reviewed.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The District of Columbia DHS Quality Control (QC) Division follows policies set forth under 7 CFR 275.4 regarding record retention and availability. However, because of Quality Control Division's recent physical relocation within the facility, some cases were stored in the basement and have thus far been unavailable for retrieval because other new occupants of the building stored files in the basement, as well, which has made it difficult, if not, impossible to access QC files.

With respect to the one case file that was not signed by the supervisor; the auditor appears to be referring to the FNS 380 Workbook form not being signed. Utilization of this form is separate and apart from the error notification process established between OQAA and QC. Apparently, the auditor only reviewed the FNS 380 for proof of supervisory approval of the Quality Control Review Schedule and concluded that supervisory approval of the case did not occur. The absence of a signature on the FNS 380 does not indicate that the case file was not reviewed by the supervisor. Case files are also stored in a web based application which requires the supervisor to review and approve cases before the findings can be released to federal officials. Only supervisory reviewed and approved cases can be released to federal officials, and the case in question was included in that review, approval, and release process.

On the other hand, error notifications are communicated to OQAA via the submission of an Error Notification Form. If a case is an error case this form would be included in the case file. Given that the auditor did not reveal the specific case number for the case in question, it is unclear whether the Error Notification Form was reviewed by the Auditor. Given these facts, the agency maintains that currently employed internal controls sufficiently ensure management review and approval of information.

Management only concurs with the finding relative to the agency's inability to provide the three case files for audit review.

KPMG's Response

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

<i>Finding Number</i>	2012-09
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Supplemental Nutrition Assistance Program (10.551, 10.561)
<i>Federal Program Number</i>	1DC400402
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Special Tests and Provisions – ADP System for SNAP
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...*”

Per 7 CFR 277.18.k, Access to the system and records states “*Access to the system in all aspects, including but not limited to design, development, and operation, including work performed by any source, and including cost records of contractors and subcontractors, shall be made available by the State agency to FNS or its authorized representatives at intervals as deemed necessary by FNS, in order to determine whether the conditions for approval are being met and to determine the efficiency, economy and effectiveness of the system.*”

Per the Economic Security Administration (ESA) Policy Manual, Section 1.3, “*All eligibility criteria and clarifying information are documented on the Record of Case Action, form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case by reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipients, the record should include the dates pay is received and how often the recipient is paid. When the recipient’s statement is the best available source, the record should include the application/recipient’s and agency efforts to verify the information. All address changes should be documented.*”

Condition

During testing over beneficiary eligibility for the Supplemental Nutrition Assistance Program (SNAP), we selected a sample of 95 payments from the total population of FY 2012 SNAP beneficiary payments. We then tested compliance with SNAP eligibility requirements for the beneficiaries related to those 95 claims payments. Within our sample of 95, we noted that the Economic Security Administration (ESA) was unable to provide sufficient documentation to support the eligibility determination for five (5) samples. We determined that the District paid \$841 in federal awards during FY 2012 related to those 5 SNAP beneficiaries. This amount represents 3.59% of the total amounts paid by the District in FY 2012 claims related to the 95 beneficiary payments sampled of \$23,422. The District paid a total of \$235,648,644 in beneficiary payments to SNAP beneficiaries in FY 2012.

Cause

The District did not consistently adhere to its established policies and procedures requiring it to maintain documentation supporting participant eligibility.

Effect

The District is not in full compliance with its policies and with Federal program compliance requirements surrounding records maintenance. Further, ineligible SNAP beneficiaries may receive benefits under the SNAP grant and the District may make payment on behalf of those beneficiaries.

Recommendation

We recommend that the District follow their policies and procedures for maintaining case record documentation and improve its controls over monitoring compliance. We observed that the District is in the process of scanning all beneficiary files into the Document Imaging Management System (DIMS) to allow for the files to be available electronically.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$841

Views of Responsible Officials

Management did not provide a written response to this finding.

<i>Finding Number</i>	2012-10
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Supplemental Nutrition Assistance Program (10.551, 10.561)
<i>Federal Program Number</i>	1DC400402
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Special Tests and Provisions – EBT Reconciliation
<i>Finding Related to ARRA</i>	No

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission- Internal Control Integrated Framework states that, “*The Internal control systems need to be monitored--a process that assesses the quality of the system’s performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.*”

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During our testing of internal controls over management’s review of the FY 2012 Statements on Standards for Attestation Engagements (SSAE) No. 16 Reports, we noted that management does not have a formal process in place to review the Fidelity National Information Services, Inc. (FIS), formerly J.P. Morgan, service auditor’s reports.

Cause

Management does not have a formal policy in place to review the service auditor’s report.

Effect

Management is unable to provide documentary evidence to support the timely review of the service auditor’s report. Management may be unaware or unresponsive to deficiencies that are identified through the service auditor’s report. Management may also not be fully considering whether it has sufficient end-user (i.e. complimentary) controls in place.

Recommendation

We recommend that the District formalize the process by which it obtains and reviews SSAE 16 reports to evaluate the deficiencies and user entity considerations noted in the individual reports, and how any identified deficiencies may impact the District to ensure the appropriate controls are in place to mitigate those deficiencies.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Office of Finance and Treasury (OFT) is responding to the SSAE 16 evaluations for JP Morgan and Fidelity National Information Services (FIS). JP Morgan ceased providing services to the District as of January 31, 2012.

I concur that OFT did not have a documented process for the review of the SSAE 16 reports for the FY12 CAFR. However, I do not concur with the stated cause that OFT was unable to provide evidence supporting the timely review of the JP Morgan and FIS SSAE 16 reports for the DHS single audit for FY12. OFT submitted a formal review of the SSAE 16 reports for both JP Morgan and FIS on 1/14/13 to KPMG auditors. In addition, upon request, the reviews were provided to DHS for submission for the KPMG single audit.

The SSAE 16 for FIS covers the District's fiscal year October 2011- September 2012. The vendor was unable to begin their audit until October 2012 and submitted their final report to OFT mid-December 2012. OFT finalized its review by 1/14/13. JP Morgan and the FIS SSAE 16 reports were submitted together and reviewed within a reasonable time frame upon receipt from the vendor.

OFT documented the following policy and procedure as its annual review of SSAE 16 reports: 1) a standard vendor contact letter requesting the SSAE 16 report to be issued at each fiscal year end close requesting a projected response date; 2) Upon receipt and review, a memo will be issued to the Associate Treasurer by each COTR stating their evaluation of any deficiencies and user entity considerations noted in the individual reports, and how any identified deficiencies may impact the District to ensure the appropriate controls are in place to mitigate those deficiencies; 3) a copy of the SSAE 16 report will be emailed to the agencies whose work is processed by the vendor for their own formal review and evaluation (DHS); and, 4) a copy of the SSAE 16 report and OFT evaluation memos will be copied to the District's Treasurer and Chief Risk Officer for record and comment. Unfortunately, the timing of the vendor's submission of their SSAE 16 reports is within the CAFR audit period. It does not infer that OFT is not performing a timely review of the reports to address the potential risks associated with deficiencies identified in the report, and to adequately consider end user controls. I ask that KPMG provide feedback to OFT on the adequacy of the review performed on the FIS and JP Morgan SSAE 16 reports for FY12.

KPMG's Response

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

<i>Finding Number</i>	2012-11
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556 & 10.559)
<i>Federal Award Number</i>	IDC300302 (10/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Agriculture (USDA)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

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

Per 31 CFR:

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District's CMIA Agreement with the US Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns

CFDA#10.555:

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 100.00

Component: Provider Payments

Technique: Modified Average Clearance-non personal services

Average Days of Clearance: 7 days

Condition

In fiscal year 2012, the District of Columbia's Child Nutrition Cluster Program operated by the Office of the State Superintendent of Education (OSSE), drew down cash on a weekly basis. During our testwork over a sample of five (5) drawdowns, totaling \$8,727,498 we noted that for 2 drawdowns, totaling \$232,180, OSSE was not in compliance with the Cash Management Improvement Act (CMIA) agreement with respect to Child Nutrition Cluster Program. Specifically, we noted that for these drawdowns related to the School Lunch Program, the expenditure was requested for reimbursement before the 7 day clearance pattern from the date the expenditure was paid set forth in the Agreement, resulting in the funds being received from the Department of Treasury (Treasury) before the 7 day clearance pattern and interest being due to Treasury in the amount of \$1.80.

Cause

OSSE performed weekly drawdowns in FY 2012 but didn't implement adequate controls to ensure full compliance with the CMIA Agreement with Treasury.

Effect

The District was non-compliant with the CMIA agreement with the US Department of Treasury.

Recommendation

We recommend that OSSE strengthen their internal controls to ensure compliance with applicable cash management requirements and the CMIA agreement.

Related Noncompliance

Unable to conclude on Cash Management due to issue noted in Finding 2012-12.

Questioned Costs

None

Views of Responsible Officials

The CMIA Agreement is between the District Government and the Treasury, and is administered by the Office of the Chief Financial Officer for the District of Columbia (OCFO), an independent and self-governing entity separate from OSSE. 31 C.F.R. § 205.10. Cash management is the responsibility of OCFO, and OSSE has no jurisdiction or authority to implement corrective actions on the OCFO. D.C. Code § 1-204.24a *et seq.* Therefore, any findings and corrective actions assigned to OSSE will not be enforceable or changeable given the District of Columbia's governance structure. Recognizing as such, in past years, the A133 audit attributed findings to the District Government and not to the agencies that have no ability to impose corrective actions on the OCFO's practice and lack of compliance. Therefore, any cash management findings relating to CMIA should be assigned against the OCFO – District Government, and to give a finding to OSSE deviates from precedence and assigns a finding to an agency with no authority or control of the process or the corrective actions necessary to comply.

OSSE requests that all cash management findings be assigned to the District government as a result of the actions of the independent OCFO, which is not subordinate to OSSE.

<i>Finding Number</i>	2012-12
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556 & 10.559)
<i>Federal Award Number</i>	IDC300302 (10/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Agriculture (USDA)
<i>District Department</i>	District of Columbia Public School (DCPS)
<i>Compliance Requirement</i>	Cash Management and Reporting
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule as established by OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

Condition

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

Specifically, while performing cash management and reporting procedures over the Child Nutrition program as operated by DCPS Food and Nutrition Services (FNS) division, we noted that the State Agency (OSSE) performed an administrative review of the counting/claiming and certification systems in place at DCPS during School Year 2012 to ensure that all free, reduced, and paid lunches claimed for reimbursement are served only to children that are deemed to be participants at the time of the observation. The counting/claiming and certification system are utilized as a basis to compile, consolidate, and report meal count data and cash draw information. Specifically, the State Agency noted that:

- For 2 applications approved for free meals, the applications should have been denied.
- For 1 application approved as reduced, the application should have been denied.
- For 4 applications approved as free, the applications should have been approved as reduced.
- For 3 applications approved as reduced, the applications should have been approved as free.
- For 1 application denied, the application should have been approved as free.
- For 4 application denied for meals, the applications should have been approved as reduced.

Of a total of \$31,345,308 program expenditures in the Child Nutrition Cluster, \$16,664,656 relates to expenditures at DCPS.

Cause

DCPS does not have adequate controls over the compilation and reporting of meal count data and claim reimbursement to ensure that accurate information is being reported and participants are accurately being assessed for free and reduced lunch.

Effect

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

Recommendation

We recommend that DCPS strengthen their policies and procedures to ensure that the compilation, consolidation, and reporting of accurate meal count data properly reflects participant information before the submission of claims to the State Agency (OSSE) for reimbursement.

Related Noncompliance

Unable to conclude on Cash Management and Reporting due to scope limitation issued related to these compliance requirements.

Questioned Costs

Not determinable; however, we noted \$16,664,656 in expenditures under this program at DCPS in the year under audit.

Views of Responsible Officials

The findings noted above pertaining to the 2011-2012 school year have since been rectified through corrective actions. The 15 applications found in error were among a total of 10,852 and represent 0.14% of those processed by the Office of Food and Nutrition Services (OFNS). OFNS is further providing its documented position to OSSE with regard to our process of eligibility determination:

Eligibility Determination and Benefit Issuance

DCPS OFNS will continue to follow a detailed procedure for certifying income eligibility applications. For manual applications, both of our Free And Reduced Meal (FARM) employees serve as the determining official and confirming official, depending on whom begins the process with each application. For online application, we have dedicated a determining official and a confirming official. The Manager of Compliance oversees the process to ensure it is properly implemented and followed. The process for processing each application is as follows:

Manual Applications

1. OFNS receives the Free And Reduced Meal application
2. The determining official checks the application for completeness. If application is not complete, the parent is contacted to complete the application.
3. Once the application is complete, processing of the application begins. All information on the application is entered into WebSmartt point of sale system.
4. WebSmartt determines the student's eligibility status based on the income requirements and their status is updated
5. The determining official writes the student's status and household size on the application, and initials and dates the application. The application is then given to the confirming official.
6. The confirming official confirms that all of the information on the application has been put into WebSmartt accurately. The confirming official also confirms that the status and household size written on the application is accurate. The confirming official initials and dates the application.
7. WebSmartt generates a status letter to be sent home. OFNS mails home the status letters.
8. Manual applications are filed according to application numbers.

Online Applications

1. Free And Reduced Meal applications are submitted online
2. The determining official checks online application information for accuracy. This is done by comparing the student information to their information listed in Websmartt. The application moves forward only if the information is found to be accurate. If it is not accurate, the parent is contacted to revise the application.
3. The determining official submits the application to the confirming official
4. The confirming official receives the application and reviews the application for accuracy
5. If accurate, the confirming official submits application back to the determining official
6. The determining official imports the application into Websmartt
7. WebSmartt determines the student's eligibility status based on the income requirements and their status is updated
8. WebSmartt generates a status letter to be sent home. OFNS mails home the status letters.
9. An error log is generated from Websmartt for possible errors in the process. The determining official checks the error log to see if any of the possible errors have actually occurred. If an error is found, it is corrected manually. The percentage of found and corrected errors is less than 1%.

DCPS has a less than .5% margin of error for processing Free And Reduced Meal Applications. In school year 2013-2014, OFNS continues to follow the process detailed above to ensure that we continue to have a very low margin of error.

<i>Finding Number</i>	2012-13
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556 & 10.559)
<i>Federal Award Number</i>	1DC300302 (10/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Agriculture (USDA)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment
<i>Finding Related to ARRA</i>	No

Criteria

7 CFR Part 210

Ensure that the State agency has reviewed and approved the contract terms and that the school food authority has incorporated all State agency required changes into the contract or amendment before any contract or amendment to an existing food service management company contract is executed. Any changes made by the school food authority or a food service management company to a State agency pre-approved prototype contract or State agency approved contract term must be approved in writing by the State agency before the contract is executed. When requested, the school food authority must submit all procurement documents, including responses submitted by potential contractors, to the State agency, by the due date established by the State agency.

Condition

During our testing of the procurement requirement for fiscal year 2012, we noted that 12 of 15 procurement files tested did not contain sufficient appropriate audit evidence to determine whether or not food service management contracts were reviewed by OSSE prior to execution as required by Federal regulations ensuring quality and compliance with all the procurement laws and regulations, including compliance with suspension and debarment.

Cause

OSSE implemented new policies and procedures in the middle of fiscal year 2012 however they were only implemented for fiscal year 2013 contracts. Therefore, during fiscal year 2012, OSSE did not adhere to their existing policies and procedures relating to contracts in place during fiscal year 2012 to maintain supporting documentation evidencing their review and approval of the food service management contracts prior to execution.

Effect

Without consistently following established policies and procedures over the Child Nutrition program procurement process, there is an increased risk that food service management contracts are not adequately reviewed and approved prior to execution as required by Federal regulations.

Recommendation

We recommend that OSSE adhere to their policies, procedures and internal controls over maintaining adequate supporting documentation evidencing the review and approval of food service management contracts within the procurement process.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

OSSE does not agree with this audit finding. At the commencement of the Wellness and Nutrition Services FY12 audit, OSSE fully divulged, explained and demonstrated to the auditors that there were shortcomings detected at the beginning of FY 2012 with its procurement contracting procedures based upon an internal analysis. OSSE further explained to the auditor that by mid FY 2012, the Wellness and Nutrition Services Division had designed and implemented new stricter standards for procurement oversight and began executing the new procedures and standards effective in FY 2012 from which the auditor's recommendation was derived, and upon which the auditor's recommendation is based. Therefore, the audit finding is unnecessary and excessive.

KPMG's Response

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

<i>Finding Number</i>	2012-14
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556 & 10.559)
<i>Federal Award Number</i>	1DC300302 (10/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Agriculture (USDA)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

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

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

Condition

During our testing of the reporting requirement for fiscal year 2012, we noted that management did not have adequate controls in place to ensure that program management reviews the Food and Nutrition (FNS) 418 *Report of the Summer Food Service Program for Children* before it is certified and submitted if not certified by the Director. Specifically for 1 of 3 reports tested, there was no evidence that the report was reviewed and approved by program management prior to being certified and submitted by a USDA Regional Office Staff.

Cause

Per management, the USDA regional office is permitted to review and certify reports on behalf of OSSE if requested to ensure a timely submission. If this request is made, the review is conducted by the USDA Regional Office staff as opposed to program management.

Effect

Without adequate controls in place to ensure that program management is reviewing and consistently documenting their review of the Food and Nutrition (FNS) 418 *Report of the Summer Food Service Program for Children* before it is certified and submitted, the report could be submitted with inaccurate data.

Recommendation

We recommend that management strengthen their internal controls to ensure that program management is reviewing and documenting their review of all reports prior to certifying and submitting, even when the reports are being reviewed and submitted by a third party.

Related Noncompliance

Unable to conclude on Reporting due to issues noted in Finding 2012-12.

Questioned Costs

None

Views of Responsible Officials

OSSE disagrees with the reporting finding. The FNS-418 Report of the Summer Food Service Program is a time-sensitive report, that is, it has to be filed with the USDA headquarters every 90-days. The approval flow permits the USDA's Mid-Atlantic Regional Office to certify and post the report, when requested by OSSE, if the authorizing OSSE representative is unavailable (explanation via teleconference and evidentiary documentation were provided). USDA certified and uploaded the July 2012 FNS-418 report according to the established protocol of reporting. This finding is based upon the federal agency policy and practice in that USDA certified and uploaded the July report.

It appears that the evidences which were produced in support of our claim have been ignored or misplaced or misapplied in furthering the auditors "understanding of the non-Federal entity's internal control over Federal Child Nutrition Programs." The complete Common Rule (below) requires careful analysis and application to this issue. The Wellness & Nutrition Services Division has demonstrated proper documentation of report certifications & approvals according to 7 CFR 246.25(b). We've also clarified that the USDA's Regional Office also has the authority to certify and post submitted reports with approvals from the State Agency and that the State Agency has retained copies of the submission reports as evidence that it was properly reviewed and approved for further processing.

Consequently, there is no basis to conclude that OSSE has not "establish[ed] and maintain[ed] internal control designed to reasonably ensure compliance, nor is there support for" a low assessed level of control risk for major programs." With reasoned application of the Common Rule, we conclude that there is no basis to this finding and that this finding should be voided.

A-102 Common Rule:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

KPMG's Response

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

<i>Finding Number</i>	2012-15
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556 & 10.559)
<i>Federal Award Number</i>	1DC300302 (10/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Agriculture (USDA)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Reporting-Federal Funding Accountability and Transparency Act (FFATA)
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 170 requires obligations to be reported no later than the end of the month following the month of the obligation. For example, if a subaward is made on October 2, 2010, the subaward information must be reported by no later than November 30, 2010. Also, if a state makes a subaward under a grant or cooperative agreement to an entity other than an individual who is a natural person, the subaward is \$25,000 or more, and no exemptions apply, the state would need to report the subaward.

Condition

During our testing of the Federal Funding Accountability and Transparency Act (FFATA) Reporting requirements for the District of Columbia's (the District) Child Nutrition Cluster, as operated by the Office of the State Superintendent of Education (OSSE), we noted that OSSE didn't report the obligating actions of any of its Child Nutrition Cluster program subawards with a value of \$25,000 or more during FY 2012.

Cause

Program management does not believe that the Child Nutrition Program is required to comply with the FFATA reporting requirements because the program is on a reimbursement basis and amounts to each subrecipient are not pre-determined but based on meal counts, therefore they cannot comply with the reporting guidelines of submitting sub-recipient information to the FSRS website.

Effect

By not submitting monthly reports of subawards given to subrecipients in excess of \$25,000, the Program is noncompliant with the FFATA reporting requirements for the Child Nutrition Cluster program.

Recommendation

We recommend that management institute policies, procedures and controls in order to comply with the FFATA requirements or request a waiver from USDA if they feel they cannot comply with these requirements.

Related Noncompliance

Unable to conclude on Reporting based on issues noted at Finding 2012-12.

Questioned Costs

None

Views of Responsible Officials

OSSE does not agree with the findings cited above. DC OSSE reported FFATA data for FY 2012 at the program level across the agency where required. OSSE is required to report Initial awards of \$25,000 or more per the federal guidance. Additionally, OSSE is exempt from reporting contracts, purchase agreements, vendor and consultant agreements for supplies, equipment, and services. Recipients of USDA programs do not receive grant award notices and are not considered grant recipients. Sub-recipients of USDA-funded programs enter into an agreement with OSSE. OSSE as the prime recipient, reported first tier sub award information.

OSSE has made efforts in good faith to comply with the FFATA reporting requirements. OSSE is in communication with USDA and will continue to work with Federal program staff to ensure compliance with FFATA reporting.

KPMG's Response

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

<i>Finding Number</i>	2012-16
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Child Nutrition Cluster (10.553, 10.555, 10.556 & 10.559)
<i>Federal Award Number</i>	1DC300302 (10/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Agriculture (USDA)
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Program Income
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule as established by OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

Condition

As a follow up to prior year findings with regard to Child Nutrition program income, we noted that the District of Columbia Public Schools (DCPS)-Food and Nutrition Services (FNS) does not have effective controls over the recording and receipt of cafeteria sales. The income is not recorded as program income for the child nutrition program and management cannot determine whether the revenue is program income.

Cause

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

Effect

DCPS is not in compliance with the program income compliance requirement.

Recommendation

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

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

We do not concur with this finding. In prior years this amount was incorrectly identified as program income. After performing an analysis over the source of this revenue, we made the determination that the cafeteria sales revenue should not be considered to be program income. This revenue is not generated from grant funds nor is it reported on the Schedule of Expenditures of Federal Awards, so it should not continue to be viewed as program income.

KPMG's Response

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

<i>Finding Number</i>	2012-17
<i>Prior Year Finding Number</i>	2011-11
<i>Federal Program</i>	Special Supplemental Nutrition Program for Woman, Infants, and Children (10.557)
<i>Federal Award Number</i>	12121DC700W1003, 12121DC700W1006, 12121DC700W5003 (10/1/11-9/30/12)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed & Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	Yes

Criteria

OMB Circular A-87 states the following:

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

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

Condition

During our testing over allowable costs, we selected 65 payroll transactions to test compliance with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) allowability requirements. Based on our testing, we noted that 6 of the 65 payroll transactions selected for testing represented wages related to a WIC employee who worked on multiple grant programs. We reviewed the employee’s timesheets and noted that the hours were not tracked by grant program. DOH allocated the employees’ time to various grants via Peoplesoft based on predetermined budgeted percentages derived by management at the beginning of the year. These percentages were based on what management believed would be the employees’ level of effort for each grant. However, management did not perform a periodic comparison of actual costs to the budgeted costs and make any necessary adjustment as required by OMB Circular A-87.

Cause

The District did not have policies and procedures in place to review the estimated amounts of payroll expenditures to the actual expenditures incurred. Per discussion with DOH management, the District expected employees to start tracking the time they spent on each grant once Peoplesoft was upgraded.

Effect

DOH was unable to support that the payroll expenditures charged to the WIC grant for one employee were allowable and DOH was not in compliance with OMB Circular A-87.

Recommendation

We recommend that management continues with its plans to implement the new version of PeopleSoft. In addition, management should develop policies and procedures to ensure employees are properly tracking their time on a grant basis once the new system is implemented.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable. However, total payroll costs, including fringe benefits for WIC in FY 2012 related to the employee splitting time between grants, were \$12,829.

Views of Responsible Officials

The Department of Health concurs with the finding regarding allowable costs for payroll for the WIC program. In compliance with OMB Circular A-87 Section B 8(h), effective May 5, 2013, the Nutrition and Physical Fitness Bureau (NPF) Chief within the Community Health Administration (CHA) and all staff who charge time to multiple grants will complete a Time and Effort Record spreadsheet to document time spent on each grant. Time will be submitted semiannually to the CHA Deputy Director of Operations for certification of the level of effort spent on Women, Infants, and Children (WIC).

DOH will engage a "combo code" function which is already a feature within PeopleSoft. For the purpose of reporting actual personnel time on grants versus time budgeted and paid, DOH has already planned for, but not yet implemented this PeopleSoft feature. DOH will continue to pursue internal steps for planning a full-scale implementation and training, as well as enhance these existing controls to establish time distribution monitoring and random sampling of hours reported on time sheets by personnel assigned across multiple grants or cost objectives. DOH Time Distribution Sheets will be requested by DOH management and will be certified by the employee and responsible supervisor. DOH Human Resources will request and maintain all documentation for each payroll. DOH Office of Grants Management will routinely monitor implementation of this protocol.

<i>Finding Number</i>	2012-18
<i>Prior Year Finding Number</i>	2011-13
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
<i>Federal Award Number</i>	12121DC700W1003, 12121DC700W1006, 12121DC700W5003 (10/1/11-9/30/12)
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	Yes

Criteria

Per 7 CFR 246.25(b), State agencies are required to submit financial and program performance data on a monthly basis as specified by the Food and Nutrition Service (FNS), to support program management and funding decisions. Such information must include, but may not be limited to, actual and projected participation and actual and projected food funds expenditure. Further, 7 CFR 246.25 (d) states that all financial and program performance reports shall be traceable to source documentation. Finally, 7 CFR 246.25 (e) requires that financial and program reports shall be certified as to their completeness and accuracy by the person given that responsibility by the State agency.

Condition

We selected the FNS-798, *WIC Financial Management and Participation Report* and the FNS-798A reports for the months of November 2011, April 2012 and September 2012 to test the reporting compliance requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). As a result of our testing, we identified the following deficiencies:

1. Management did not reconcile the *Net Federal Outlays and Unliquidated Obligations* (Line 12) amount per the September 2012 FNS-798 report to the food cost per the general ledger (SOAR) as required. The cumulated net food cost per the FNS-798 was \$8,702,426, which was less than the general ledger by \$166,685.
2. Management was unable to provide evidence of when the reports were submitted to FNS. Therefore we are unable to determine if the reports were submitted in a timely manner, within 30 days of the month end.
3. The balance per SOAR for food cost did not agree to the food cost presented in the FNS-798 report for all three months selected for testing. Management was unable to provide any documentation to explain the discrepancies.
4. Management did not provide evidence that the responsible DOH personnel certified the three selected FNS-798 reports for completeness and accuracy.

Cause

Management did not have adequate controls in place to ensure the completeness, accuracy, review and timely submission of the FNS-798 reports and FNS-798A reports during the entire fiscal year to ensure program is in compliance with the reporting requirements. We did not note any controls in place to ensure that food cost recorded in the general ledger system is reconciled to the net federal outlays from the CARES system.

Effect

The information included within the reports required by 7 CFR 246.25 was not accurate or could not be substantiated. The DOH WIC general ledger (SOAR) did not support the amount reported as *Net Federal Outlays and Unliquidated Obligations* on the FNS-798 report. Without adequate internal controls to ensure agreement between food cost per general ledger accounts and food benefit database system (CARES), a reporting violation could result.

Recommendation

We recommend that management continue to implement the policies and procedures to ensure that the financial information reported on the FNS-798 and FNS 798A is supported by amounts in the general ledger including periodically reconciling food costs recorded on the general ledger to the food costs recorded in the Community Automated Reliable Electronic System (CARES). We also recommend that management review the FNS-798 for completeness and accuracy prior to submission, documents such review and retains the documentation for audit purposes.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health concurs with the finding No. 2012-HSS-29 regarding reporting for the WIC grant. DOH agrees that program leads were unable to provide evidence of when the FNS 798 reports were submitted to USDA. Community Health Administration's (CHA) management has begun a review of the reporting requirements for the FNS-798 report and will implement new procedures to ensure the completeness and accuracy prior to submission. CHA management will document such review and retain the documentation for audit purposes. The WIC Director will certify that the report is accurate before submitting to FNS. DOH Office of Grants Management is reviewing options for an integrated system of monitoring and tracking reporting schedules, submissions and approval flow for all DOH federal grant awards.

The Department of Health, Office of the Chief Financial Officer concurs with this finding regarding the reconciliation of CARES net federal food outlays and un-liquidated obligations to the general ledger (SOAR). Year-end food costs changed from the preliminary report filing of \$9,256,691 reflected in November 2012 until the final close-out report of \$8,670,756, reflected in February 2013. FNS-798 data is based on issuance values and has a 90-day liquidation period, whereas the general ledger is based on redemption/banking values which remain unchanged until year-end closing. The timing difference in the two reporting systems also makes it difficult to exactly true these costs up on a monthly basis as CARES data is not available until after SOAR is closed for the month. Vendor rebates, which are reflected as a reduction of food costs, have been converted to electronic funds transmission vs. paper check and OCFO staff will work closely with program to ensure that the latest food costs per CARES is reflected in SOAR for year-end closing.

<i>Finding Number</i>	2012-19
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
<i>Federal Award Number</i>	12121DC700W1003, 12121DC700W1006, 12121DC700W5003 (10/1/11-9/30/12)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Special Tests and Provisions – Review of Food Instruments and Cash-Value Vouchers to Enforce Price Limitations and Detect Errors
<i>Finding Related to ARRA</i>	Yes

Criteria

Per 7 CFR 246.12(k)(1), “The State agency must design and implement a system to review food instruments and cash-value vouchers submitted by vendors for redemption to ensure compliance with the applicable price limitations and to detect questionable food instruments or cash-value vouchers, suspected vendor overcharges, and other errors.”

Condition

During our control testwork over the Special Test and Provision - Review of Food Instruments and Cash-Value Vouchers, we selected five corporate vendor reports for testing. For two of the five reports selected, WIC did not maintain adequate documentation to demonstrate that the quarterly corporate vendor reports were reviewed and approved as evidenced by WIC management signing the vendor report memos.

Cause

Management is not maintaining the signed vendor report memos to evidence the review and approval of the information included in the Quarterly Vendor Reports.

Effect

Without adequate management review and approval of the information included in the quarterly corporate vendor reports, there may be vendor non-compliance with the applicable price limitations for food instruments and cash-value vouchers that are being submitted for redemption, as well as questionable food instruments or cash-value vouchers, vendor overcharges, and other errors.

Recommendation

We recommend that management enforce existing policies and procedures to ensure that adequate documentation is maintained to demonstrate that quarterly corporate vendor reports were reviewed and approved as evidenced by WIC management signing the vendor report memos.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health concurs with the finding for Special Tests and Provisions for the WIC program, specifically regarding documentation of review of food instruments and cash-value vouchers to enforce price limitations and detect errors. WIC did not maintain adequate documentation to demonstrate that the quarterly corporate vendor reports were reviewed and approved as evidenced by WIC staff being unable to locate two of the five requested reports. Community Health Administration and WIC program managers will enforce existing policy *Food Delivery Policy VII E2*.

<i>Finding Number</i>	2012-20
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
<i>Federal Award Number</i>	12121DC700W1003, 12121DC700W1006, 12121DC700W5003 (10/1/11-9/30/12)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

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

31 CFR:

§ 205.11 What requirements apply to funding techniques?

- (a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State’s payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.
- (b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State’s actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

- (a) A clearance pattern must be auditable.
- (b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.
- (c) A clearance pattern must include seasonal or other periodic variations in clearance activity.
- (d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.
- (e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.
- (f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.
- (g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District’s Cash Management Improvement Act (CMIA) Agreement with the US Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns

Condition

During our fiscal year 2012 testing over cash management for DOH's WIC program, we identified the following issues:

- a. We reviewed 21 expenditure items and noted one instance where the cash receipt date per the CMIA report differed from the cash receipt date per the draw down information and SOAR.
- b. DOH did not submit CMIA reports for the expenditures related to the WIC Breastfeeding Peer Counseling grant. This grant represents approximately \$239,000 of the total of \$14,530,885 WIC grants.
- c. We scanned the CMIA report and noted there were 33 entries in the CMIA report that could not be associated with any cash drawdown date on the report. As a result, we could not determine if the interest liability was calculated correctly for those items.

Cause

DOH did not maintain adequate documentation to support the drawdown amount. Additionally, controls over cash drawdowns were not operating effectively to ensure that the information in the CMIA report is complete and accurate.

Effect

Lack of adequate internal controls over the draw calculations could result in non-compliance with the cash management requirement and the CMIA agreement.

Recommendation

We recommend that DOH strengthen their internal controls to ensure compliance with applicable cash management requirements and the CMIA agreement and maintain appropriate documentation.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health, Office of the Chief Financial Officer concurs with an explanation. The Revenue Cash Receipt (RCR) document# DAI2WIC8 was improperly reflected in the CMIA report as being received on 12/30/11 vs. the actual receipt date of 1/5/12. The accountant that initiated the draw encountered internet connectivity issues with the Automated Standard Application for Payments (ASAP) system and believed the draw cycle had been successfully completed. We later learned that funds were not received by the Office of Finance & Treasury on 1/4/12 and immediately reinitiated the draw, which was confirmed received by OFT on 1/5/12. The CMIA report reflected the initial RCR date vs. the actual draw date and was not corrected prior to the submission to OFT. The OCFO revised the procedures for WIC

draws requiring the accounting officer to date/time stamp approval of draw analysis, directing staff to initiate the draw if appropriate, and then verifying that the ASAP draw cycle was successfully completed by date/time stamping the RCR document.

CMIA reports were not submitted for the WIC Breastfeeding Peer Counseling grant during FY 2012 as the agency historically reported only on the major grants within designated CFDA's. This individual grant was less than 2% of the total expenditures reported for CFDA# 10.557 and if deemed applicable, the agency will complete CMIA reports on this minor grant in the future.

Cash management was significantly improved during FY 2012 by accounting for redeemed food costs and estimated rebates on a weekly vs. monthly basis as was historically treated. The down-side of this improved cash management is the reporting of this additional activity in the CMIA report which is a manual process of matching inflows (reimbursement) against outflows (cash expenditures). There is not a I-I correlation in this match due to timing differences caused by the CMIA clearance pattern designated in the Treasury State Agreement. Draws are completed weekly and the draw analysis identifies specific transactions that are to be drawn as well as transactions that are held/paid less than 7 days of draw to ensure compliance with CMIA. Many of the transactions cited were outside of the control of the agency (e.g. minor metro benefit adjustments accounted for more than 113 of these transactions), and other transactions netted to \$0.

<i>Finding Number</i>	2012-21
<i>Prior Year Finding Number</i>	2011-06
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
<i>Federal Award # and Year</i>	12121DC700W1003, 12121DC700W1006, 12121DC700W5003 (10/1/11-9/30/12)
<i>Federal Agency</i>	Department of Agriculture
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Reporting – Federal Funding Accountability and Transparency Act (FFATA)
<i>Finding Related to ARRA</i>	Yes

Criteria

2 CFR part 170 requires obligations to be reported no later than the end of the month following the month of the obligation. For example, if a subaward is made on October 2, 2010, the subaward information must be reported by no later than November 30, 2010. Also, if a state makes a subaward under a grant or cooperative agreement to an entity other than an individual who is a natural person, the subaward is \$25,000 or more, and no exemptions apply, the state would need to report the subaward.

Condition

During our testing of the Federal Funding Accountability and Transparency Act (FFATA) Reporting requirements for the District of Columbia’s (the District) Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), as operated by the Department of Health (DOH), we noted that WIC did not report the obligating actions of any of its program subawards with a value of \$25,000 or more, to the federal website, www.usaspending.gov, during FY2012.

Cause

Management did not have adequate controls in place to ensure compliance with the FFATA reporting requirements.

Effect

By not submitting monthly reports of subawards given to subrecipients in excess of \$25,000, the Program was noncompliant with the FFATA reporting requirements for the WIC program.

Recommendation

We recommend that management implement policies and procedures in order to comply with the FFATA requirements.

Related Noncompliance

Material Noncompliance (when considered in conjunction with Finding 2012-18)

Questioned Costs

None

Views of Responsible Officials

DOH concurs with this finding regarding FFATA (Federal Funding Accountability and Transparency Act) reporting for WIC programs (10.557) as it pertains to WIC subrecipient reporting into the Federal System for Subrecipient Reporting (FSRS). DOH's current system and controls for FF ATA reporting did not support identification of these WIC awards as reportable. DOH will implement corrective actions to increase controls for on-time and full reporting of all subawards subject to FFATA, specifically to address identification of FFATA-applicable awards and subawards. DOH will implement staff training for management on FF ATA requirements and increase efficiency of supervisory controls to manage review of monthly repolling rosters and FSRS dashboards and verification of reportable awards.

Important Clarifications:

In the process of developing this response, DOH discovered and reported to the auditor that the reporting system did not allow the WIC awards to be identified in the FSRS because DOH never been designated in that system as the Prime Recipient for these WIC grants; the DUNS number for those grants is assigned erroneously to another District of Columbia agency. This discrepancy is the source of any omission of the WIC awards from the DOH dashboard and FSRS account. Documentation of related FSRS systems errors were provided to the auditor. This finding (FFATA) was not a prior year finding specific to the WIC awards as cited in this NFR, but was a District-wide finding.

<i>Finding Number</i>	2012-22
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Broadband Technology Opportunities Program (11.557)
<i>Federal Award Number</i>	NT10BIX557008 1 (07/01/10–06/30/13) 11-43-B 10536 (07/01/10–06/30/13) 11-41-B10518 (08/01/10–07/31/13)
<i>Federal Agency</i>	Department of Commerce
<i>District Department</i>	Office of the Chief Technology Officer District of Columbia Public Libraries
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

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

Condition

In FY 2012, there were a total of 23 cash drawdowns for the American Recovery and Reinvestment Act – Sustainable Broadband Adoption – DC Broadband Education Training and Adoption “DC-BETA” grant totaling \$1,975,253 and a total of 53 cash drawdowns for the American Recovery and Reinvestment Act - DC-Community Access Network “DC-CAN” grant totaling \$10,047,994. We noted that there was no policy requiring the review and approval of these cash drawdown entered into Automated Standard Application Payments be documented prior to submission of the drawdown request. In addition, we noted that for one of the 25 draw downs sampled in our compliance testwork for the DC-BETA and DC-CAN grants, the agency drew down funds in excess of expenditures of \$539,778, which was not spent in its entirety within the required 30 days for cash advances.

Further, In FY 2012, there were a total of 11 cash drawdowns for the American Recovery and Reinvestment Act – Public Computer Center – DC Community Computing Resources "DC-CCR" grant totaling \$520,452. We noted that program management does not have documented controls in place for the grant cash management process. Specifically, we noted that there was not a documented review and approval of such amounts. In addition, we noted that there is a lack of segregation of duties as the individual responsible for requesting the draw downs also prepares and approves the journal entry to record the drawdowns into the general ledger. We also noted that for one of the three draw downs totaling \$341,767 that were sampled in our compliance testwork for the DC-CCR grant, the agency could not provide invoices supporting a draw of \$3,000.

Cause

Controls are not designed effectively to ensure that the BTOP grant is in compliance with the cash management compliance requirements.

Effect

Without adequate internal controls to ensure compliance with the cash management compliance requirements, funds could be drawn in excess of the amount required to be reimbursed resulting in the requirement to pay interest or repay the funds drawn down.

Recommendation

We recommend that the OCTO management revise its policies and procedures for cash management for the DC-BETA and DC-CAN grants to ensure the review of the drawdown amount for the grants prior to submission for reimbursement. In addition, we recommend that District of Columbia Public Library revises the current process for cash management for the DC-CCR grant to ensure that the segregation of duties issue no longer exists; and that the review and approval of the drawdown amount for the DC-CCR grant is documented.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

Office of the Chief Technology Officer:

First, there is an internal control in the cash draw down process, designed effectively to ensure that agency complies with federal grant guidelines, and policy and procedures set forth by the Office of the Chief Financial Officer. The one incident of cash overdraw cited in this finding was simply the result of miscalculation, an innocent human error that does occur in the day-to-day operations.

For the BTOP grants, all cash drawdowns from the inception to date are reviewed and approved by the accounting manager prior to actual cash drawdown, and the review process involves running and verifying drawdown amounts using a CFOSolve report that compares expenditures with revenues. However, the accounting manager was required only to sign off on the journal voucher that used for recordation of the draw down in to SOAR. This step was considered as sufficient evidence for reviewing and approving the draw down under the previous policy.

In an effort to strengthen the documentation process of approvals and to make the internal control over cash drawdown even tighter, GOC amended its drawdown policy in October, 2012, by requiring: 1) the accounting manager to sign off on the ASAP screen printout prior to submitting the drawdown request in addition to the journal voucher; and 2) Agency Fiscal Officer to review and approve on each cash drawdown before it takes place by signing off on ASAP screen print out.

District of Columbia Public Libraries:

Concur in part- The DC Public Library notes that this finding's references to the standards of financial management systems are not in reference to the Federal Financial Reports (FFR) submitted pursuant to this grant, but reflect the performance indicators of the ARRA 1512.

Corrective Action-Beginning the quarter ending June 30, 2013, DCPL will implement policies, and procedures and controls to ensure the accuracy and subsequent validation of the data reported in the quarterly performance reports for BTOP grants. Supporting documentation for key indicators-number of new workstations installed and available to the public-will be documented via a physical inventory count. Lists of workstations installed and summary reports of classes offered will be maintained and verified through the sign-off of computers upon delivery to designated site and by the signature of students upon completion of their classroom training. Reports generated and used in determining key indicators will be maintained in print format and PDFs in the project file.

While maintained by the Office of the Chief Financial Officer (OCFO), printouts of purchase orders and all SOAR screen prints will be saved, denoting closing balances as of each quarterly reporting period and will be maintained by the grant program staff. Emails with partners (DCPS for the final quarter) and press releases will also be maintained by the grant program staff. All performance information will be reconciled and matched to the reported information. Furthermore, all financial information reported will reflect the FFR signed by the Agency Fiscal Officer and all financial information will be provided by the OCFO for inclusion in the ARRA 1512.

Finally, DCPL will create a written review and approval process for grant performance reports, assuring authorized personnel (Office of the Chief Librarian and Office of Budget and Finance) approval prior to submission, and will maintain this documentation in the project file. All managerial reviews will include written sign offs to verify such.

<i>Finding Number</i>	2012-23
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Broadband Technology Opportunities Program (11.557)
<i>Federal Award Number</i>	NT10BIX557008 1 (07/01/10–06/30/13) 11-43-B 10536 (07/01/10–06/30/13) 11-41-B10518 (08/01/10–07/31/13)
<i>Federal Agency</i>	Departure of Commerce
<i>District Department</i>	Office of Finance and Treasury (OFT)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

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

§ 205.7(c) states that Treasury and a State must amend a Treasury-State agreement as needed to change or clarify its language when the terms of the existing agreement are either no longer correct or no longer applicable. A State must notify Treasury in writing within 30 days of the time the State becomes aware of a change, describing the Federal assistance program change. The notification must include a proposed amendment for Treasury’s review and a current list of all programs included in the Treasury-State agreement. Amendments may address, but are not limited to:

- (1) Additions or deletions of Federal assistance programs subject to subpart A;
- (2) Changes in funding techniques; and
- (3) Changes in clearance patterns.

Condition

While performing the CMIA compliance tests of the Broadband Technology Opportunities Program (BTOP), we noted that it was not included in the Treasury-State /CMIA agreement. This program met the applicable threshold per the District’s Treasury-State /CMIA agreement for programs with federal funds and had cash draw downs during FY 2012.

Cause

There was a no clear directive provided to the Office of the Chief Technology Officer (OCTO) by the Office of Finance and Treasury (OFT) for providing updates of programs whose expenditures meet the threshold to be included in the District’s Treasury-State Agreement to comply with CMIA subsequent to its execution.

Effect

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

Recommendation

We recommend that OCTO and OFT management develop policies and procedures to ensure that all the applicable programs are included in the District's Treasury-State Agreement and properly comply with the Cash Management Improvement Act.

Related Noncompliance

Material Noncompliance (when considered in conjunction with finding 2012-22).

Questioned Costs

Not Determinable

Views of Responsible Officials

Management concurs in part. As an agency under the Government Operations Cluster (GOC), the Office of the Chief Financial Officer for the DC Public Library is subject to the cash management policies and procedures issued by the GOC. Adherence to these policies and procedures provides adequate internal controls and separation of duties for all grant cash drawdowns in general and a reference to the American Recovery and Reinvestment Act grants or other specific grant is not required.

Journal entries are no longer prepared and approved by the same individual that draws down the cash. The Accountant/Manager analyzes the grant as reflected on the SOAR "66" screen to determine the amount of the drawdown. The Agency Fiscal Officer then review and signs off on the "66" screen printout (and other analysis, if required) prior to the Accountant/Manager submitting the drawdown request. The Accountant/Manger then draws down the cash from ASAP and obtains a screen printout. Once the funds are received in Treasury the Accountant/Manager prepares the journal entry with the treasury notification, the SOAR 66 screen, and the ASAP printout attached. The Accounting Technician then enters the journal entry into SOAR. Lastly, the Agency Fiscal Officer authorizes and approves the journal entry in SOAR. Management notes that adhering to this process documents the review and approval of the amounts to be drawn down and ensures segregation of duties. This process strengthens internal controls and resolves this finding.

<i>Finding Number</i>	2012-24
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Broadband Technology Opportunities Program (11.557)
<i>Federal Award Number</i>	NT10BIX557008 1 (07/01/10–06/30/13) 11-43-B 10536 (07/01/10–06/30/13) 11-41-B10518 (08/01/10–07/31/13)
<i>Federal Agency</i>	Department of Commerce
<i>District Department</i>	Office of the Chief Technology Officer District of Columbia Public Libraries
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule as established by OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to § 85.20 Standards for financial management systems:

- (a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
 - (1) Financial reporting. Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 - (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Condition

For the American Recovery and Reinvestment Act – DC Community Access Network “DC-CAN” Grant, awarded to the Office of the Chief Technology Officer (OCTO), we selected the quarterly performance reports filed as of March 31, 2012 and September 30, 2012. We noted that the reports generated to obtain the count for one key program indicator—number of new network miles—were not maintained. Management’s attempt to re-create these reports resulted in variances of nine and 11 new network miles, for March and September, respectively as a result of the database being subsequently updated. We noted an identical exception with respect to the June 30, 2012 report.

For the American Recovery and Reinvestment Act – DC Broadband Education, Training and Adoption “DC-BETA” Grant, awarded to the OCTO, we selected the quarterly performance reports filed as of March 31, 2012 and September 30, 2012. We noted that the key indicator—number of new subscribers—reported for the March filing was overstated by 22 new subscribers due to duplicates within the population. In addition, new subscribers for the September filing were understated by three, when compared with the supporting report provided by management, which was generate in response to our audit request for supporting documentation. The original report generated during the completion of the performance report was not maintained. Further, in testing compliance with the annual performance reporting requirements, we noted that the report generated to complete the filing of the key indicator—total number of participants trained—was not maintained by DCPL. A recreation of the report at our request resulted in a variance of two participants.

For the American Recovery and Reinvestment Act – Public Computer Center – DC Community Computing Resources “DC-CCR” Grant, awarded to the District of Columbia Public Libraries (DCPL), we noted that there no documented controls in place over the review and approval of the information compiled and entered into the federalreporting.gov system for the ARRA 1512 reports. Specifically, we noted that for the June 30, 2012 ARRA 1512 quarterly report, the detail of payments to vendors of over \$25,000 was understated. First, the report incorrectly reflected four vendors instead of eight. The payments to the four omitted vendors totaled \$162,708. In addition, based on the data extracted from the DCPL’s Banner System, the payments to the four reported vendors were understated by \$462,376.

We also noted a lack of supporting documentation for the key indicator—number of new workstations installed and available to the public—required to be reported on the quarterly performance reports. We selected the March 31, 2012 and September 30, 2012 performance reports for review and DCPL was unable to provide the supporting documentation for counts reported on either report. Lastly, we noted a lack of supporting documentation for the project indicators—number of Public Computer Centers established and number of Public Computer Centers improved—reported on the annual performance report.

Cause

Reports generated and used by OCTO in determining some key indicators are not properly maintained.

In addition, DCPL does not have adequately designed policies, procedures and controls to ensure the accuracy and subsequent validation of the data reported in the quarterly performance reports for the BTOP grants. Reports generated and used in determining key indicators are not properly maintained. The DCPL procedural controls in place to ensure compliance with Reporting requirements are inadequately designed.

Effect

The District is not in compliance with the Reporting requirements of the BTOP program.

Recommendation

We recommend that the Office of the Chief Technology Officer review and enhance policies, procedures, and controls regarding grant program metrics, to ensure the completeness and accuracy of the information reported to the Federal Government. In addition, these policies should include controls to ensure supporting documentation is properly maintained and that the review and approval of the reports prior to submission to the Federal Government is properly performed and documented.

Further, we recommend that DCPL establish policies, procedures, and controls, to ensure the completeness and accuracy of the information reported to the Federal Government. In addition, step should be taken to ensure supporting documentation is maintained and the review and approval of the reports are adequately documented.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

Office of the Chief Technology Officer:

The Office of the Chief Technology Officer (OCTO) acknowledges the findings regarding discrepancies on reporting program metrics; specifically, number of miles for DC-CAN and number of subscribers and number of participants trained for DC-BETA.

OCTO will review and modify its procedures for collecting and maintain supporting information for program metrics for all grants including those from the subrecipients, effective June 30, 2013. OCTO will ensure the controls and reviews are consistent with those regarding financial information reported quarterly to the Federal Government. During this A-133 audit there were no deficiencies found regarding controls, reviews or ability to trace data from source to final reporting.

District of Columbia Public Libraries:

Concur in Part – The DC Public Library notes that this finding's reference to the standards of financial management systems are not in reference to the Federal Financial Reports (FFRs) submitted pursuant to this grant, but reflects the performance indicators of the ARRA 1512.

Corrective Action – Beginning the quarter ending June 30, 2013, DCPL will implement policies, procedures and controls to ensure the accuracy and subsequent validation of the data reported in the quarterly performance reports for aTOP grants. Supporting documentation for key indicators - number of

new workstations installed and available to the public - will be documented via a physical inventory count. Lists of workstations installed and summary reports of classes offered will be maintained and verified through the sign-off of computers upon delivery to designated site and by the signature of students upon completion of their classroom training. Reports generated and used in determining key indicators will be maintained in print format and PDFs in the project file.

While maintained by the Office of the Chief Financial Officer (OCFO), printouts of purchase orders and all SOAR screen prints will be saved, denoting closing balances as of each quarterly reporting period and will be maintained by the grant program staff. Emails with partners (DCPS for the final quarter) and press releases will also be maintained by the grant program staff. All performance information will be reconciled and matched to the reported information. Furthermore, all financial information reported will reflect the FFR signed by the Agency Fiscal Officer and all financial information will be provided by the OCFO for inclusion in the ARRA 1512.

Finally, DCPL will create a written review and approval process for grant performance reports, assuring authorized personnel (Office of the Chief Librarian and Office of Budget and Finance) approval prior to submission, and will maintain this documentation in the project file. All managerial reviews will include written sign offs to verify such.

<i>Finding Number</i>	2012-25
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Broadband Technology Opportunities Program (11.557)
<i>Federal Award Number</i>	NT10BIX557008 1 (07/01/10–06/30/13)
<i>Federal Agency</i>	Department of Commerce
<i>District Department</i>	Office of the Chief Technology Officer
<i>Compliance Requirement</i>	Davis-Bacon Act
<i>Finding Related to ARRA</i>	Yes

Criteria

29 CFR sections 3.3(b) and 3.4(a) state:

§ 3.3(b) Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this chapter during the preceding weekly payroll period. This statement shall be executed by the contractor or subcontractor or by an authorized officer or employee of the contractor or subcontractor who supervises the payment of wages, and shall be on form WH 348, ‘‘Statement of Compliance’’, or on an identical form on the back of WH 347, ‘‘Payroll (For Contractors Optional Use)’’ or on any form with identical wording. Sample copies of WH 347 and WH 348 may be obtained from the Government contracting or sponsoring agency, and copies of these forms may be purchased at the Government Printing Office.’’, and

§ 3.4(a) Each weekly statement required under § 3.3 shall be delivered by the contractor or subcontractor, within seven days after the regular payment date of the payroll period, to a representative of a Federal or State agency in charge at the site of the building or work, or, if there is no representative of a Federal or State agency at the site of the building or work, the statement shall be mailed by the contractor or subcontractor, within such time, to a Federal or State agency contracting for or financing the building or work. After such examination and check as may be made, such statement, or a copy thereof, shall be kept available, or shall be transmitted together with a report of any violation, in accordance with applicable procedures prescribed by the United States Department of Labor.

Condition

We noted that Program management had not documented controls in place for the review of the certified payrolls submitted by the contractor/subcontractor as required by the Davis-Bacon Act. Specifically, we noted that the Program’s contract template, used to engage subcontractors, was modified on January 27, 2012 to include the Davis-Bacon Act requirements. However, prior to this, the required certified payrolls were not properly submitted by the contractor/subcontractor.

In addition, we noted that for three of the eight contracts tested, the email submission from the subcontractor containing the certified payroll was submitted after the due date. Specifically, the subcontractor submitted these certified payrolls on April 19, 2012, which is two to 51 days after the due date. For one of the eight contracts tested, although the certified payroll was available, we were unable to review the email submission of the certified payroll from the subcontractor, and consequently, we were unable to establish the timeliness of the submission.

Cause

Controls are not designed effectively to ensure that Program management is in compliance with the Davis-Bacon Act compliance requirements.

Effect

Without adequate internal controls to ensure compliance with the Davis-Bacon Act compliance requirements, vendors could pay workers less than the prevailing wage rate or fail to submit the required certified payroll.

Recommendation

We recommend that the OCTO management revise the policies and procedures for Davis-Bacon for the DC-CAN grant to ensure the review of the certified payrolls submitted by the contractor/subcontractor is documented. In addition, the OCTO Management should reiterate the need to submit the weekly certified payrolls in a timely manner.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not Determinable

Views of Responsible Officials

The sub-contractor payment deficiency under Davis-Bacon was associated with two specific labor titles and identified as spanning a time period extending back to the inception of the 3 year BTOP initiative. For this reason, sub contractor's payroll certification documenting final compensation resolution and affirmation was completed and reported on a "batch" basis on April 19, 2012. As of May 4, 2012, subcontractor has consistently submitted certified weekly payroll records to contract manager (DC-Net) that are immediately reviewed for accuracy, proper payment rate, and archived for retention. To date, no discrepancies from approved Davis-Bacon compensation levels have been identified.

<i>Finding Number</i>	2012-26
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Broadband Technology Opportunities Program (11.557)
<i>Federal Award Number</i>	11-41-B10518 (08/01/10–07/31/13)
<i>Federal Agency</i>	Department of Commerce
<i>District Department</i>	District of Columbia Public Libraries
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment
<i>Finding Related to ARRA</i>	Yes

Criteria

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

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

Condition

The District of Columbia Public Libraries (DCPL) procured goods and services under the American Recovery and Reinvestment Account – Public Computer Center – DC Community Computing Resources "DC-CCR" Grant, in the amount of \$335,197 during FY 2012. During our testwork over a sample of two procurement files totaling \$155,100, we noted that the contracting officer did not perform the search for the Excluded Parties List System (EPLS) to verify the status of the vendors. We also noted that the DCPL procurement policy and procedure does not require the Procurement Officers to consult the EPLS for procurements under \$100,000 – both procurements in our sample were valued below \$100,000. We performed a search of the EPLS noting that these vendors were not suspended or debarred.

Cause

DCPL procurement policy did not take the Federal grants management requirement into consideration when it was formulated.

Effect

DCPL failed to verify the suspended and debarred status of vendors who provided service to the District and who were paid using Federal funds for procurements between \$25,000 and \$100,000, and as such, vendors that are suspended and debarred may be paid with Federal funds.

Recommendation

We recommend that DCPL amend its procurement policies and procedures to ensure that for all procurements over \$25,000, the Procurement officers should verify the EPLS status of vendors, and maintain appropriate documentation of the search in the contract file.

Related Noncompliance

Material Noncompliance (when considered in conjunction with finding 2012-06)

Questioned Costs

None

Views of Responsible Officials

Management concurs. The District of Columbia Public Library (DCPL), Office of Procurement, shall perform the excluded parties listing search, related to Federal and District vendors, as stated in Procurement, Suspension and Debarment under A-133 for all acquisitions greater than \$25,000.00.

DCPL's Debarment, Suspension and Ineligibility Procedures (Title 19 DCMR Chapter 43 Procurement Section 4376, page 57) do not indicate a dollar threshold for compliance reviews. However, it has been the Library's practice to conduct reviews for purchases of \$100,000 and above. In response to this finding, DCPL's Office Of Procurement shall revise Title 19 DCMR, Chapter 43, Section 4376, page 57 entitled Debarment, suspension and Ineligibility Procedures to read as follows:

“The Chief Contracting Officer (CCO) shall perform the excluded parties listing search related to Federal and District for all acquisitions greater than \$35,000. Results from this search will be included in acquisition (purchase orders) and contract folders.

<i>Finding Number</i>	2012-27
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Broadband Technology Opportunities Program (11.557)
<i>Federal Award Number</i>	11-43-B 10536 (07/01/10–06/30/13)
<i>Federal Agency</i>	Department of Commerce
<i>District Department</i>	Office of the Chief Technology Officer
<i>Compliance Requirement</i>	Activities Allowed and Unallowed, Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule as established by the Office of Management and Budget OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments, require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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

Condition

We noted that there were \$342,466 payroll costs charged to American Recovery and Reinvestment Act – DC Broadband, Education, Training and Adoption – “DC-BETA” Grant in FY 2012. Specifically, we noted that while adjunct professors with salaries totaling \$40,369 spent 100% of their time on grant activities, the University of the District of Columbia (UDC) did not prepare semi-annual certifications as required, for employees who work exclusively on a federal program.

Cause

UDC personnel were unaware of the requirement.

Effect

The District is not in compliance with the Activities Allowed and Unallowed, Allowable Costs/Cost Principles requirements.

Recommendation

We recommend that management implement policies and procedures to ensure that semi-annual certifications are properly prepared for all employees who charge time to federal grant programs, as required by OMB Circular A-87.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable. However we noted that there was \$342,466 in payroll costs.

Views of Responsible Officials

The University of the District of Columbia Community College's (UDC-CC's) institutional policy for federal wards is to perform certifications for all personnel working on federal grants three times per year. This policy is administered by the UDC-CC Office of Sponsored Programs. UDC-CC leadership will ensure that all managers of federal grants and associated personnel comply with this requirement. Effective July 1, 2013, UDC-CC leadership will adhere to existing institutional policy to ensure federal grant compliance.

Effective July 1, 2013, the Office of Chief Technology Officer (OCTO) will also ensure that semi-annual certifications occur for any OCTO personnel working full time on federal grants. OCTO will also revise its Sub-Recipient Monitoring plan by July 15, 2013, to confirm that semi-annual certifications are performed by any sub-recipients, and those records are shared with OCTO.

<i>Finding Number</i>	2012-28
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award # and Year</i>	B-09-MY-11-0100 B11-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD) (including ARRA expenditure)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Section 1512 of the American Recovery and Reinvestment Act (ARRA) of 2009 includes reporting requirements applicable to recipients of federal awards under ARRA Division A. Aimed at providing transparency into the use of these recovery funds, not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency that contains the following detailed information:

- (1) the total amount of recovery funds received from that agency;
- (2) the amount of recovery funds received that were expended or obligated to projects or activities; and
- (3) a detailed list of all projects or activities for which recovery funds were expended or obligated, including—
 - (A) the name of the project or activity;
 - (B) a description of the project or activity;
 - (C) an evaluation of the completion status of the project or activity;
 - (D) an estimate of the number of jobs created and the number of jobs retained by the project or activity; and
 - (E) for infrastructure investments made by State and local governments, the purpose, total cost, and rationale of the agency for funding the infrastructure investment with funds made available under this Act, and name of the person to contact at the agency if there are concerns with the infrastructure investment.
- (4) Detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109–282), allowing aggregate reporting on awards below \$25,000 or to individuals, as prescribed by the Director of the Office of Management and Budget.

Condition

During our walkthrough of the Section 1512 ARRA reports, we noted that support could not be provided from the District's general ledger system, SOAR, to support the amounts reported in the 1512 reports. As such, we could not determine the accuracy and completeness of the reports. It was noted that DHCD records the amount of cash drawdowns reported in HUD's Integrated Disbursement and Information System to report the federal share of expenditures rather than reporting the actual share of expenditures recorded in SOAR.

Cause

Management did not have controls in place to ensure compliance with the Section 1512 ARRA reporting requirements.

Effect

Without adequate internal controls to ensure information entered into reports or supporting documentation is complete and accurate, the Program could be non-compliant with the reporting compliance requirements.

Recommendation

We recommend that management implement internal controls in order to comply with the Section 1512 ARRA reporting requirements.

Related Noncompliance

Material Noncompliance (when considered in conjunction with 2012-32 and 2012-33)

Questioned Costs

None

Views of Responsible Officials

DHCD will strengthen its internal controls to ensure compliance with the Section 1512 ARRA reporting requirements.

<i>Finding Number</i>	2012-29
<i>Prior year finding</i>	2011-25
<i>Federal Program</i>	Community Development Block Grant (14.218/14.253)
<i>Federal Award #</i>	B-09-MY-11-0100
	B11-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	District Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

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

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

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

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State’s payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State’s actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

- (d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.
- (e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.
- (f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.
- (g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District's CMIA Agreement with the U.S. Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns, which follows:

CFDA#14.218: Community Development Block Grant Program
Recipient: District Department of Housing and Community Development
% of Funds the Agency receives: 20
Component: Administrative Costs
Technique: Fixed Administrative Allowances- Prorated Draw
Average Days of Clearance: 7 days

Recipient: District Department of Housing and Community Development
% of Funds the Agency receives: 71
Component: Program Payments
Technique: Payment Monthly-Non Personal Service
Average Days of Clearance: 7 days

Recipient: District Department of Housing and Community Development
% of Funds the Agency receives: 9
Component: Payroll
Technique: Payment Monthly-Personal Service
Average Days of Clearance: 0 days

Condition

During our testwork over the cash management requirements, we noted that the District Department of Housing and Community Development (DHCD) was not in compliance with the Cash Management Improvement Act (CMIA) Agreement with the U.S. Department of Treasury (the Agreement) with respect to the Community Development Block Grant program. Specifically, we noted that the annual report was not completed properly. Per review of the Treasury Statement Agreement, the clearance pattern for administrative costs and program payments is 7 days, however, 5 days was used as the clearance pattern in preparing the report and calculating interest, thus resulting in interest being calculated incorrectly. Additionally, per discussion with management, we noted that the “date funds requested” date in the CMIA report captures the date the related program income was received by the District and not the date the funds were actually drawn down in the IDIS system; therefore causing an inaccurate calculation of interest.

Cause

DHCD did not have adequate controls in place to ensure compliance with the CMIA Agreement with Treasury.

Effect

The DHCD was non-compliant with the CMIA Agreement with Treasury.

Recommendation

We recommend that DHCD strengthen its internal controls to ensure compliance with applicable cash management requirements and the CMIA Agreement with Treasury.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management partially concurs with finding. FY 2012 CMIA report has 882 transactions. The clearance pattern of 5 days was inadvertently used for 134 transactions. Going forward we will ensure that clearance pattern for all transactions is consistent with CMIA Agreement. With regards to program income reported in CMIA report, we believe that using the date program income was applied to expenditures in IDRS will result in interest receivable that the District is not entitled to.

<i>Finding Number</i>	2012-30
<i>Prior Year Finding Number</i>	2011-24
<i>Federal Program</i>	Community Development Block Grant/Entitlement Grants (14.218, 14.253)
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Special Tests & Provisions- Rehabilitation
<i>Finding Related to ARRA</i>	Yes

Criteria

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

According to regulation 24 CFR section 570.506, when CDBG funds or CDGB-R funds are used for rehabilitation, the grantee must ensure that the work is properly completed.

Condition

During our testwork over the Special Tests and Provisions-Rehabilitation compliance requirement, for 8 of 8 sample items selected for testwork totaling \$175,094, DHCD did not maintain adequate supporting documentation to evidence that pre-rehabilitation inspections were conducted describing the deficiencies to be corrected to the property. Thus, we were unable to ascertain that the deficiencies identified during the pre-rehabilitation inspection were fully incorporated into the rehabilitation contract.

Cause

DHCD did not have adequate controls in place to maintain supporting documentation evidencing pre-rehabilitation inspections were completed prior to contract execution.

Effect

Non-compliance with rehabilitation compliance requirements increases the risk that rehabilitation work is not properly completed and documented within the requirements of 24 CFR section 570.506.

Recommendation

We recommend that DHCD improve their internal controls over maintaining adequate supporting documentation evidencing the performance of pre-rehabilitation inspections in order to comply with Special Tests & Provisions-Rehabilitation compliance requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

DHCD will improve its internal controls over maintaining adequate supporting documentation evidencing the performance of pre-rehabilitation inspections in order to comply with Special Tests & Provisions-Rehabilitation compliance requirements.

<i>Finding Number</i>	2012-31
<i>Prior Year Finding Number</i>	2011-14
<i>Federal Program</i>	Community Development Block Grant (CDBG) (14.218/14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100
	B11-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed & Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	Yes

Criteria

OMB Circular A-87 states the following:

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

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

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

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity, for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

Additionally, per OMB A-87 Attachment B Section 8(g)(2) severance payments should be classified as indirect costs.

Condition

We noted that for indirect employees, DHCD employees that work on a variety of administrative functions that benefit multiple federal award programs, all payroll cost charged to the CDBG program is based on budgeted percentages that are established by DHCD management at the beginning of the year based on what management believes will be each respective employees' level of effort expended on the CDBG program for the year. PeopleSoft, the District's Human Resources/Payroll System, calculates and reports payroll costs on the Labor Distribution Report (485 Report) for each employee based on the predetermined allocation percentage for each payroll cycle. However, management could not provide adequate supporting documentation evidencing that they had performed a periodic comparison (at least quarterly) of actual costs to the budgeted costs and made the necessary after-the-fact adjustment as required by OMB Circular A-87 when such method is used.

Additionally, we noted that for direct employees, DHCD programmatic staff who may also work on multiple federal programs, "combo codes" (unique activity identifiers) which are used to allocate time for employees who work on multiple federal programs, were not consistently used when completing their respective timesheets; therefore, we could not determine if time and related costs charged to the program were for actual hours worked.

For our testwork, we selected 40 payroll transactions, totaling \$56,795, out of a total population of \$2,936,267 (including fringe benefits of \$464,948), to obtain support for each employee's individual allocation rate and test for compliance with OMB Circular A-87. During our testwork, we noted the following:

- For 8 out of 40 samples who were classified as direct employees, we noted combo codes were not used when completing their timesheets; therefore, we could not determine if time and related costs charged to the program were for actual hours worked.
- For 15 out of 40 samples who were classified as indirect employees, we noted the total hours charged to the program for the employee per the 485 report was more than the time charged to the CDBG program per the employee's timesheet and no explanation could be provided for why there was a difference.
- For 6 out of 40 samples, since combo codes was not required for indirect staff and time is charged based on budget allocations, we could not determine if the employee worked the number of hours that were actually charged to the program.

Therefore, payroll costs actually incurred for CDBG program could not be supported in accordance with OMB Circular A-87.

Additionally, for 3 of the 40 samples, the payroll costs related to severance pay totaling \$3,960. KPMG reviewed the population of payroll expenditures and noted \$55,835 or 1.9% of the direct payroll charges, \$2,936,267, made in FY12 were for severance payments. These amounts should have been classified as indirect costs.

Cause

DHCD did not have adequate policies, procedures and controls to ensure that labor costs charged to the CDBG program were in compliance with OMB Circular A-87. Additionally, DHCD was not consistently adhering to existing policies and procedures requiring the maintenance of adequate supporting documentation of payroll costs and was not properly classifying payroll costs related to severance payments.

Effect

Payroll costs charged to the CDBG program were not supported in accordance with OMB Circular A-87 effort reporting requirements.

Recommendation

We recommend that management implement policies, procedures and controls to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87. Additionally, we recommend that management implement policies, procedures and controls to ensure that severance payments are charged to indirect costs in accordance with OMB Circular A-87.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable. However, total payroll costs for CDBG in FY2012 were \$2,936,267, including fringe benefits.

Views of Responsible Officials

DHCD will ensure that labor costs charged to the CDBG program comply with OMB Circular A-87. Additionally, DHCD will ensure consistent adherence to its existing policies and procedures requiring the maintenance of adequate supporting documentation of payroll costs and properly classifying payroll costs related to severance payments.

<i>Finding Number</i>	2012-32
<i>Prior Year Finding</i>	2011-06
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award #</i>	B-09-MY-11-0100 B11-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD) (including ARRA expenditure)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	Yes

Criteria

2 CFR part 170 requires obligations to be reported in the FSRS no later than the end of the month following the month of the obligation. For example, if a subaward is made on October 2, 2010, the subaward information must be reported by no later than November 30, 2010. Also, if a state makes a subaward under a grant or cooperative agreement to an entity other than an individual who is a natural person, the subaward is \$25,000 or more, and no exemptions apply, the State would need to report the subaward.

Condition

During our testing of the Federal Funding Accountability and Transparency Act (FFATA) Reporting requirements for the District of Columbia’s (the District) Community Development Block Grants – Entitlement Grants Cluster (CDBG), as operated by the Department of Housing and Community Development (DHCD), we noted that DHCD didn’t report the obligating actions of any of its 26 CDBG program subawards with a value of \$25,000 or more during FY2012 in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS).

Cause

Management did not have a process in place to ensure compliance with the FFATA reporting requirements.

Effect

By not submitting monthly reports of subawards given to subrecipients in excess of \$25,000, the Program was noncompliant with the FFATA reporting requirements for the CDBG program.

Recommendation

We recommend that management institute policies, procedures and controls in order to comply with the FFATA requirements or request a waiver from HUD if they feel they cannot comply with these requirements.

Related Noncompliance

Material Noncompliance (when considered in conjunction with Finding 2012-28 and Finding 2012-33)

Questioned Costs

None

Views of Responsible Officials

DHCD has assigned an individual to report obligations into the FSRS no later than the end of the month following the month of obligation, to ensure compliance with the FFATA reporting requirements after the employee assigned to the task was reassigned to another District Agency.

<i>Finding Number</i>	2012-33
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Development Block Grant/Entitlement Grants (14.218, 14.253)
<i>Federal Award Number</i>	B-09-MY-11-0100 B-11-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	Yes

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to regulation 24 CFR section 135.3(a), 135.90 and 570.607 grantees for each grant over \$200,000 that involves housing rehabilitation, housing construction, or either public construction, or other public construction, the prime recipient must submit Form 60002.

Condition

During our walkthrough of the reporting process, we obtained an understanding of the preparation of the Section 3 Summary Report, *Economic Opportunities for Low- and Very Low-Income Persons* (HUD-60002) report. Recipients submit quarterly reports regarding their Section 3 plans using the General Contractor and Subcontractor Activity Form. The data from the quarterly reports submitted by the contractors are entered into the excel based Section 3 Data report which is included in the HUD-60002 Section 3 Summary Report submitted to the U.S. Department of Housing and Urban Development (HUD). We inspected the annual HUD-60002 reports for the CDBG and CDBG-R programs along with the supporting documentation and noted that the information reported did not agree to the summary excel spreadsheets. Specifically, we noted the following:

- (1) CDBG: for one of the projects the total amount of the non-construction contracts awarded was \$91,244 per the Quarterly Section 3 Activity Report submitted from the contractor; however, \$34,532 was entered in the summary excel spreadsheet and subsequently reported in the HUD 60002 report that was submitted to HUD resulting in an understatement to HUD of \$56,713;
- (2) CDBG-R: the total number of the new hires and Section 3 new hires per the summary excel spreadsheet were 4 and 1, respectively, however 5 new hires and 2 Section 3 new hires were reported in the HUD 60002 report resulting in too many employees being reported to HUD; and
- (3) CDBG-R: the total dollar amount of the Section 3 construction contracts awarded per the summary excel spreadsheet was \$2,328,300; however \$2,482,200 was reported in the HUD 60002 report resulting in an overstatement of \$153,900 being reported to HUD.

Cause

Controls are not operating effectively to ensure that DHCD is in compliance with the reporting compliance requirements.

Effect

DHCD did not ensure that management adequately reviewed the HUD-60002 to include completeness and accuracy of financial information, and agreement of all statistical data presented in the report resulting in inaccurate information being reported to HUD.

Recommendation

We recommend that DCHD implement policies and procedures to ensure that management review of the HUD-60002 includes the completeness and accuracy of financial information, and agreement of all data presented in the report to the quarterly Section 3 activity reports received from the contractors.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

DHCD will ensure that management review the HUD-60002 includes the completeness and accuracy of financial information, and agreement of all data presented in the report to the quarterly Section 3 activity reports received from the contractors.

<i>Finding Number</i>	2012-34
<i>Prior Year Finding</i>	2011-21
<i>Federal Program</i>	Community Development Block Grants/Entitlement Grants (14.218, 14.253)
<i>Federal Award #</i>	B-09-MY-11-0100 B11-MC-11-0001
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD) (including ARRA expenditure)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Subrecipient Monitoring and Special Tests & Provisions- Subrecipient Monitoring
<i>Finding Related to ARRA</i>	Yes

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

(2 CFR section 25.110 and Appendix A to 2 CFR part 25) states that in addition to any programmatic eligibility criteria, a pass-through entity is responsible for determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award.

Section 1512(h) of ARRA, and 2 CFR section 176.50(c) states that for ARRA subawards, the requirement to identify to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and maintaining the currency of that information.

45 CFR 92.40(a) states “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.”

31 USC 7502(f)(2)(B) states that “each pass-through entity shall Monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means” to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Per 45 CFR 92.26(b)(3), grantees are to ensure that “subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions”.

Condition

For our subrecipient monitoring testing, out of a total of 28 subrecipients totaling \$36,097,941, we selected a sample of nine subrecipients who received federal funding during fiscal year (FY) 2012 totaling \$21,026,900. Of these nine samples, we noted the following:

- For all nine subrecipients sampled, DHCD did not include in its entirety the required award information. Specifically, the following information was not included in the executed contract between DHCD and the subrecipient: CFDA number; award name and number; and requirements imposed by laws, regulations, and the provisions of contract or grant agreements;
- For all nine subrecipients sampled, DHCD did not provide supporting documentation evidencing that the subrecipient provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or before award; and
- For one of nine subrecipients sampled, DHCD did not provide supporting documentation ensuring that during-the-subaward monitoring was performed to ascertain that the subrecipients used Federal awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements; and

In addition, we selected a sample of twenty-five subrecipients for testing who had federally funded outstanding loan balances as of September 30, 2012 totaling \$12,688,816 out of a total outstanding loan balance of \$209,233,733 and had continuous compliance requirements. The loans were used by the borrower to fund eligible rehabilitation construction and permanent financing costs for the development of affordable housing units. Based on our testing, we noted that for twenty-four of the twenty-five subrecipients selected, adequate supporting documentation could not be provided by DHCD to demonstrate that continuous monitoring was performed to ensure the borrowers continued to meet the affordable housing requirements.

Additionally, for subrecipients who received funding for the Home Purchase Assistance and Single Family Programs, DHCD did not have a monitoring process in place to ensure the borrower continued to occupy the affordable housing unit.

Cause

Controls were not operating effectively to ensure that the District is in compliance with the subrecipient monitoring compliance requirement.

Effect

The District was not in compliance with the subrecipient monitoring compliance requirement for the Community Development Block Grant program.

Recommendation

We recommend that management implement sufficient monitoring controls to ensure subrecipient compliance with the CDBG laws and regulations.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management will implement monitoring controls to ensure subrecipient compliance with all applicable CDBG laws and regulations.

<i>Finding Number</i>	2012-35
<i>Prior year finding</i>	2011-06
<i>Federal Program</i>	HOME Investment Partnership (14.239)
<i>Federal Award Number</i>	M11-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Reporting- Federal Funding Accountability and Transparency Act (FFATA)
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 170 requires obligations to be reported in the FSRS no later than the end of the month following the month of the obligation. For example, if a subaward is made on October 2, 2010, the subaward information must be reported by no later than November 30, 2010. Also, if a state makes a subaward under a grant or cooperative agreement to an entity other than an individual who is a natural person, the subaward is \$25,000 or more, and no exemptions apply, the State would need to report the subaward.

Condition

During our testing of the Federal Funding Accountability and Transparency Act (FFATA) Reporting requirements for the District's HOME Investment Partnership Program (HOME), as operated by the Department of Housing and Community Development (DHCD), we noted that DHCD didn't report the obligating actions of any of its 9 HOME program non-ARRA subawards with a value of \$25,000 or more during FY 2012 in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS).

Cause

Management did not have a process in place to ensure compliance with the FFATA reporting requirements.

Effect

By not submitting monthly reports of subawards given to subrecipients in excess of \$25,000, the Program is noncompliant with the FFATA reporting requirements for the HOME program.

Recommendation

We recommend that management institute policies, procedures and controls in order to comply with the FFATA requirements or request a waiver from HUD if they feel they cannot comply with these requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management has assigned an individual to report obligations into the FSRS no later than the end of the month following the month of obligation to ensure compliance with the FFATA reporting requirements after the employee assigned to the task was reassigned to another District Agency.

<i>Finding Number</i>	2012-36
<i>Prior Year Finding Number</i>	2011-25
<i>Federal Program</i>	HOME Investment Partnership (HOME) (14.239)
<i>Federal Award Number</i>	M11-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Davis-Bacon Act
<i>Finding Related to ARRA</i>	No

Criteria

The OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 40 U.S.C. 3141, the Davis-Bacon and Related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act and Related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine such locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors performing work on federal or District of Columbia contracts. The Davis-Bacon Act prevailing wage provisions apply to the “Related Acts,” under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance.

According to 29 CFR 5.5(a), “the Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in Sec. 5.1”, the *contract provisions and related matters* clauses as outlined in Sec. 5.5(a) (or any modifications thereof to meet the particular needs of the agency, Provided, That such modifications are first approved by the Department of Labor).

Additionally, per 29 CFR 5.5(a)(3) “the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The required weekly payroll information may be submitted in any form desired. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit them to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency), the contractor, or

the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements”.

“Each payroll submitted shall be accompanied by a “Statement of Compliance,” signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under § 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under § 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete”.

Department of Labor, FAQ, [29 CFR 5.5\(a\)\(3\)](#)

The Federal agency providing funding or the contracting agency in a financially-assisted construction contract has the primary, day-to-day responsibility for administering and enforcing the prevailing wage rate requirements in covered contracts. They are responsible for ensuring that the contractor maintains appropriate records by performing activities, such as:

- a) Verifying that covered contracts have incorporated the required Davis-Bacon clauses and the applicable wage determination(s);*
- b) Verifying that the Davis-Bacon notice and the applicable wage determination(s) are displayed at the site of the work in a conspicuous location in clear view of everyone;*
- c) Reviewing certified payrolls in a timely manner;*
- d) Conducting employee interviews;*
- e) Conducting investigations;*
- f) Forwarding refusal to pay and/or debarment consideration cases to the USDOL Wage and Hour Division for appropriate action; and*
- g) Submitting enforcement reports and semi-annual enforcement reports to the USDOL Wage and Hour Division.*

When a contractor is continually late with payroll submittals, the contracting agency must send the prime contractor a written notice restating the contract requirements for submitting the weekly payroll statements. If the contractor continues to submit the payroll statements late, the following actions can be taken:

- a) Withhold payments until the payroll submittal requirements are met;*
- b) Terminate the contract; or*
- c) Refer the violating contractor to the USDOL for possible legal prosecution and/or debarment.*

Condition

During our testwork over compliance with the Davis-Bacon Act, we noted that DHCD did not have adequate controls in place to ensure full compliance with the Davis-Bacon Act. Specifically we noted the following:

- For 3 out of 3 contracts tested, we noted the executed contracts did not include in its entirety the required Davis-Bacon Act and related Department of Labor regulation clauses;

- For 57 of the 65 certified payrolls tested, we noted that the certified payrolls or statement of compliance for no work performed was received by DHCD more than 15 days **after** the scheduled payroll week ending date **and** written follow-up was not provided by DHCD to the contractor/subcontractor indicating that the certified payroll or statement of compliance for no work performed was not received by the due date. The following table reflects a breakdown of when the certified payrolls or statement of compliance for no work performed were received:

Date Received	Total
15 – 29 days	22
30 - 44 days	6
45 - 59 days	7
60 - 89 days	9
>89 days	13

- For 2 of the 65 certified payrolls tested, we noted the certified payroll or statement of compliance for no work performed was not reviewed by program personnel timely (within 30 days).

Date Reviewed	Total
1-30 days	0
31-59 days	2
60-89 days	0
>89 days	0

- For 1 of the 65 certified payrolls tested, we noted the review date of the certified payroll was not documented; therefore, we could not determine the timeliness of the review of the certified payroll.

Cause

DHCD does not have adequate policies, procedures and controls to ensure compliance with the Davis-Bacon Act and related DOL regulations.

Effect

Without adequate internal controls to ensure compliance with the Davis-Bacon Act compliance requirements, there is an increased risk that, if a contractor is not paying their employees the prevailing wages established by the DOL, it will not be detected timely for administering agencies to be able to collect restitution or report suspended contractors to DOL.

Recommendation

We recommend that the DHCD improve their internal controls to ensure contracts and certified payrolls are properly monitored in compliance with Davis-Bacon Act requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management will review its internal controls to ensure that contracts and certified payrolls are properly monitored in compliance with the Davis-Bacon Act requirements.

<i>Finding Number</i>	2012-37
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnership (HOME) (14.239)
<i>Federal Award Number</i>	M11-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Special Tests & Provisions-Maximum Per Unit Subsidy
<i>Finding Related to ARRA</i>	No

Criteria

The per unit investment of HOME funds may not exceed the Federal Housing Administration (FHA) mortgage limits in Subsection 221(d)(3) of the National Housing Act, including any area-wide high cost exceptions approved by HUD. This information should be available from the grantee or the local HUD field office. In mixed-income or mixed-use projects, the average per unit investment in HOME-assisted units may not exceed the applicable Subsection 221(d)(3) limit. Participating jurisdictions are required to evaluate each housing project in accordance with guidelines that it adopts to ensure that the combination of Federal assistance to the project is not any more than is necessary to provide affordable housing (24 CFR section 92.250).

Each housing project must be evaluated in accordance with its guidelines to ensure that the combination of Federal assistance to the project is not any more than is the FHA mortgage limits in Subsection 221(d)(3) of the National Housing Act necessary to provide affordable housing. The HOME subsidy amounts must be supported by the participating jurisdiction’s records.

Condition

During our testwork over two (2) projects invested with HOME funds, for one (1) project, we noted that \$106,520 was used for the maximum the Federal Housing Administration (FHA) 221 (d) (3) limit and that management could not ascertain where the amount was obtained from used in the calculation. Per review of the FHA 221 (d) (3) limits, based on the calculation, for the respective project, a total of \$151,382 should have been used in determining the maximum per unit subsidy. Although, the maximum subsidy amount used in the calculation is less than the maximum amount allowable per FHA, an exception is noted as the amount used in the calculation to determine the maximum per unit subsidy was not properly supported.

Cause

DHCD did not maintain adequate supporting documentation to support all of the amounts used in calculating the HOME subsidy amounts.

Effect

DHCD was not in compliance with the HOME maximum per unit subsidy requirements. If the amounts used in calculating the HOME subsidy amounts are not supported, there is a risk that the project could be funded in excess of the FHA mortgage limits in Subsection 221(d)(3) of the National Housing Act.

Recommendation

We recommend that management adhere to existing policies and procedures to ensure that adequate support is maintained in calculating the HOME subsidy amounts.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DHCD will ensure that adequate supporting documentation is maintained to support all of the amounts used in calculating the HOME subsidy amounts.

<i>Finding Number</i>	2012-38
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnership (HOME) (14.239)
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>Federal Award Number</i>	M11-SG-11-0100
<i>District Department</i>	District Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

In fiscal year 2012, the District’s HOME Investment Partnership Program (HOME) as operated by the District Department of Housing and Community Development (DHCD) generally drew down cash on a monthly basis. During our testwork over a sample of thirty four (34) program expenditures totaling \$10,077,141 we noted that for eight (8) expenditures totaling \$322,856, the expenditures were requested for drawdown prior to the expenditures being paid by DHCD.

Cause

The DHCD program management does not have adequate controls in place to ensure compliance with the cash management requirements.

Effect

The DHCD program was non-compliant with the cash management requirements of the HOME program.

Recommendation

We recommend that DHCD strengthen its internal controls to ensure compliance with applicable cash management requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

DHCD will strengthen its internal controls to ensure compliance with all applicable cash management requirements.

<i>Finding Number</i>	2012-39
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnership (HOME) (14.239)
<i>Federal Award Number</i>	M11-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Special Tests & Provisions-Housing Quality Standards
<i>Finding Related to ARRA</i>	No

Criteria

During the period of affordability (i.e., the period for which the non-Federal entity must maintain subsidized housing) for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than: (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units. The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards (24 CFR sections 92.251, 92.252, and 92.504(b)). The participating jurisdiction must ensure that any needed repairs are completed timely.

Condition

During our testwork over five (5) projects invested with HOME funds, for one (1) project, we noted that supporting documentation could not be provided to verify that the deficiencies identified during the inspection were followed-up and corrected timely.

Cause

DHCD did not maintain adequate supporting documentation to verify that the deficiencies identified during the inspection were followed-up and corrected timely.

Effect

DHCD was not in compliance with the HOME housing quality standards requirements.

Recommendation

We recommend that management adheres to existing policies and procedures to ensure that adequate support is maintained in monitoring the housing quality standards.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management will adhere to existing policies and procedures to ensure that adequate support is maintained in monitoring the housing quality standards.

<i>Finding Number</i>	2012-40
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnership (14.239)
<i>Federal Award Number</i>	(M11-SG-11-0100)
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed & Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

OMB Circular A-87 states the following:

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

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

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

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

Additionally, per OMB Circular A-87 Attachment B Section 8(g)(2), severance payments should be classified as indirect costs.

Condition

We noted that for indirect employees, DHCD employees that work on a variety of administrative functions that benefit multiple federal award programs, all payroll cost charged to the HOME program is based on budgeted percentages that are established by DHCD management at the beginning of the year for what management believes will be each respective employees' level of effort expended on the HOME program for the year. PeopleSoft, the District's Human Resources/Payroll System, calculates and reports payroll costs on the Labor Distribution Report (485 Report) for each employee based on the predetermined allocation percentage for each payroll cycle. However, management could not provide adequate supporting documentation evidencing that they had performed a periodic comparison (at least quarterly) of actual costs to the budgeted costs and made the necessary after-the-fact adjustment as required by OMB Circular A-87 when such method is used.

Additionally, we noted that for direct employees, DHCD programmatic staff who may also work on multiple federal programs, "combo funding codes" (unique activity identifiers) which are used to allocate time for employees who work on multiple federal programs, were not consistently used when completing their respective timesheets.

For our testwork, we selected 25 payroll transactions, totaling \$42,999, out of a total population of \$1,343,795 including fringe benefits of \$209,830 to obtain support for each employee's individual allocation rate and test for compliance with OMB Circular A-87. During our testwork, we noted the following:

- For 10 out of 25 samples totaling \$18,743 who are classified as direct employees, we noted combo codes were not used when completing their timesheets indicating hours worked for the program.
- For 8 out of 25 samples totaling \$12,182 who are classified as indirect employees, we noted the total hours charged to the program for the employee per the 485 report was more than the time charged to the HOME program per the employee's timesheet and no explanation could be provided for why there was a difference.
- For 2 out of 25 samples totaling \$326, since combo codes are not required for indirect staff and time is charged based on budget allocations, we could not determine if the employee worked the number of hours that were actually charged to the program.

Therefore, payroll costs actually incurred for HOME program could not be supported in accordance with OMB Circular A-87.

Additionally, for 4 of the 25 samples, the payroll costs related to severance pay totaling \$10,452. We reviewed the population of payroll expenditures and noted \$54,200 or 4% of the direct payroll charges of \$1,343,795 made in FY 2012 were for severance payments. These amounts should have been classified as indirect costs.

Cause

DHCD does not have adequate policies, procedures and controls to ensure that labor costs charged to the HOME program are in compliance with OMB Circular A-87. Additionally, DHCD is not consistently

adhering to existing policies and procedures requiring the maintenance of adequate supporting documentation of payroll costs and is not properly classifying payroll costs related to severance payments.

Effect

Payroll costs charged to the HOME program are not supported in accordance with OMB Circular A-87 effort reporting requirements.

Recommendation

We recommend that management implement policies, procedures and controls to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87. Additionally, we recommend that management implement policies, procedures and controls to ensure that severance payments are charged to indirect costs in accordance with OMB Circular A-87.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable. Total payroll costs for HOME in FY 2012 was \$ 1,343,795 including fringe benefits.

Views of Responsible Officials

DHCD will implement policies, procedures and controls to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87 and will also ensure that severance payments are charged to indirect costs in accordance with OMB Circular A-87.

<i>Finding Number</i>	2012-41
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HOME Investment Partnership (HOME) (14.239)
<i>Federal Award Number</i>	M11-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Matching, Level of Effort, and Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

Each participating jurisdiction must invest at least 15 percent of each year’s HOME allocation in projects which are owned, developed, or sponsored by special non-profit organizations called CHDOs. If, during the first 24 months of its participation in the HOME Program, a participating jurisdiction cannot identify a sufficient number of capable CHDOs, then up to 20 percent of the minimum set-aside (but not more than \$150,000 during the 24-month period) may be made available to develop the capacity of CHDOs in the jurisdiction (24 CFR section 92.300).

A participating jurisdiction may expend for its HOME administrative and planning costs an amount of HOME funds that is not more than ten percent of the fiscal year HOME basic formula allocation plus any funds received in accordance with 24 CFR section 92.102(b) to meet or exceed threshold requirements that fiscal year. A participating jurisdiction may also use up to ten percent of any return of the HOME investment, as defined in 24 CFR section 92.503, calculated at the time of deposit in its HOME account, for administrative and planning costs (24 CFR section 92.207).

Condition

During our testwork, we noted that DHCD did not comply with two (2) of the four (4) earmarking requirements. Specifically, we noted the following:

- In FY 2012, DHCD was awarded \$8,273,607 under the HOME program. Therefore, a total of \$1,241,041 (15% x \$8,273,607) was required to be expended on projects that are owned, developed, or sponsored by Community Housing Development Organizations (CHDOs). Per review of the Schedule of Expenditures of Federal Awards (SEFA) expenditure detail, we determined that only \$318,320 (3%) was expended on projects sponsored by CHDO’s during FY 2012.
- In FY 2012, DHCD expended \$1,491,499 (14.6%) in planning and administrative costs which exceeded the maximum allowed of 10% of the total fiscal year HOME grant award (\$8,273,607) and 10% of the program income received during the fiscal year (\$1,922,533).

Cause

DHCD does not have adequate policies, procedures and controls in place to ensure the HOME program adheres to the respective earmarking requirements.

Effect

DHCD was not in compliance with two of the four HOME earmarking requirements.

Recommendation

We recommend that DHCD management strengthen its existing policies, procedures and controls to ensure that the District complies with all HOME program earmarking requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management will strengthen its existing policies, procedures and controls to ensure that DHCD complies with all HOME program earmarking requirements.

<i>Finding Number</i>	2012-42
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	HOME Investment Partnership (HOME) (14.239)
<i>Federal Award Number</i>	M11-SG-11-0100
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Housing and Community Development (DHCD)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that “non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.”

(2 CFR section 25.110 and Appendix A to 2 CFR part 25) states that “in addition to any programmatic eligibility criteria, a pass-through entity is responsible for determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award.”

45 CFR 92.40(a) states “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.”

31 USC 7502(f)(2)(B) states that “each pass-through entity shall Monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means” to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Per 24 CFR 92.252, “The HOME-assisted units in a rental housing project must be occupied only by households that are eligible as low income families and must meet the following requirements to qualify as affordable housing. The affordability requirements also apply to the HOME-assisted non-owner-occupied units in single-family housing purchased with HOME funds in accordance with § 92.254.”

Condition

For our subrecipient monitoring testing, we noted that there was a total of 9 subrecipients with total expenditures of \$19,846,978. From the 9, we selected a sample of 3 subrecipients who received federal funding during fiscal year (FY) 2012 and noted the following:

- For all three subrecipients selected with total pass through funds of \$6,665,041, DHCD did not include the required award information in its entirety. Specifically, the following information was not included in the executed contract between DHCD and the subrecipient: CFDA number; award name and number; and requirements imposed by laws, regulations, and the provisions of contract or grant agreements; and

- For all three subrecipients selected with total pass through funds of \$6,665,041, DHCD did not provide supporting documentation evidencing that the subrecipient provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or before award.

In addition, we selected a sample of eight subrecipients for testing who had federally funded outstanding loan balances totaling \$9,030,209 as of September 30, 2012 and had continuous compliance requirements, out of a total outstanding loan balance of \$60,742,986. The loans were used by the borrower to fund eligible rehabilitation construction and permanent financing costs for the development of affordable housing units. Based on our testing, we noted that for six of the eight subrecipients selected, adequate supporting documentation could not be provided by DHCD to demonstrate that continuous monitoring was performed to ensure the borrowers continued to meet the affordable housing requirements.

Additionally, for subrecipients who received funding for the Home Purchase Assistance and Single Family Programs, DHCD did not have a monitoring process in place to ensure the borrower continued to occupy the affordable housing unit.

Cause

Controls were not operating effectively to ensure that the District was in compliance with the subrecipient monitoring compliance requirement.

Effect

The District was not in compliance with the subrecipient monitoring compliance requirement for the HOME program.

Recommendation

We recommend that management implement sufficient monitoring controls to ensure subrecipient compliance with the HOME laws and regulations.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management will implement monitoring controls to ensure subrecipient compliance with all applicable HOME laws and regulations.

<i>Finding Number</i>	2012-43
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS program (14.241)
<i>Federal Award Number</i>	DCH11-F001 (FY12)
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

Title 2 of the Code of Federal Regulations (CFR), part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our control testwork over cash management, we noted the Department of Health (DOH) had approximately \$12.9 million in draw downs during fiscal year (FY) 2012. we selected a sample of 25 expenditures to test compliance over DOH's CMIA report and noted the following exceptions:

- For 1 of the 25 items tested, DOH did not maintain adequate documentation to demonstrate that the cash drawdown was approved in IDIS. DOH stated that this transaction was for FY11 revenue. However, the HUD draw down statement showed that DOH received funds for this expenditure on May 8, 2012. In addition, the expenditure and related draw down was not included on the year ended CMIA Report for fiscal year 2012.
- For 1 of the 25 items tested, the date used for the receipt of funds was 5/4/12 instead of the actual receipt date of 5/9/12 as identified for the other transactions under DA2HA113 and as identified on the "Wells Fargo Unrecorded Grant Deposits" due to human error.

Cause

Controls over the CMIA report were not operating effectively to ensure that the information in the CMIA report was complete and accurate.

Effect

The District was not in compliance with the CMIA agreement.

Recommendations

We recommend that management conduct a more robust review of the CMIA report to ensure its completeness and accuracy.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

The Department of Health, Office of the Chief Financial Officer concurs with the finding. Payment made to the Community Family Life Services for \$4,464.04 related to Fiscal year 2011 expenditure and as such was not captured in the FY 2012 CMIA report. The FY 2011 expenditure (V088521) was subsequently drawn and recorded as a collection of accounts receivable (DTHA030) in FY 2012 and the CMIA submission reflected current appropriation (AY 2012)/fiscal (FY 2012) data only. Reimbursement/draw document# DAHA113 for payment made to Greater Washington Urban League (V0887413) was improperly reflected in the CMIA report as being received on 5/4/12 versus the actual receipt date of 5/9/12 due to a keying error. OCFO management commits to a more thorough review of future CMIA reports prior to submission to the Office of Finance and Treasury.

<i>Finding Number</i>	2012-44
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS (14.241)
<i>Federal Award Number</i>	DCH11-F001 (FY12)
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking, and Reporting
<i>Finding Related to ARRA</i>	No

Criteria

Title 2 of the Code of Federal Regulations (CFR), part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Title 24 of the United States Code (CFR), section 574.300(b)(10)(i) requires that each grantee may use not more than 3 percent of the grant amount for its own administrative costs relating to administering grant amounts and allocating such amounts to project sponsors.

Condition

During the control testwork over the earmarking compliance requirement:

- We obtained the Consolidated Annual Performance and Evaluation Report (CAPER) for fiscal year 2012 that was used to calculate the earmarking requirement and noted that DOH did not maintain adequate documentation to support the numbers in the CAPER.
- Three of 25 invoices were not reviewed and approved by the Deputy Bureau Chief, Grants Management and Fiscal Monitoring, but were reviewed and approved by a Grants Management Specialist. However, sufficient evidence could not be provided to support their authority to sign the invoices on behalf of the Deputy Bureau Chief, Grants Management and Fiscal Monitoring.

In addition, we noted during our compliance testwork over the earmarking compliance requirement that \$410,131 was reported for grantee administration on the CAPER for the three organizations included at the grantee level (the District of Columbia, Northern Virginia Regional Commission, and the Housing Authority of Prince George’s County). We compared the amount reported on the CAPER to the actual expenditures included in the general ledger for the District of Columbia and on the final invoices for September 2012 (for Virginia Regional Commission and the Housing Authority of Prince George’s County) – a total \$448,802 - noting a variance of \$38,671. We compared the actual expenditures to the calculated maximum allowable amount to be used on Grantee Administration - \$413,866 – noting that grantee administration exceeded the maximum allowable amount by \$34,936.

Cause

Controls over the review of the CAPER prior to submission were not operating effectively. Specifically, there was a lack of policies and procedures related to what documentation was required to be maintained to support the numbers used to calculate the amounts presented on the CAPER.

In addition, DOH did not adhere to the existing policies and procedures regarding review and approval of the subrecipient invoices packages.

Effect

The District was not in compliance with the earmarking compliance requirement for the Housing Opportunities for Persons with AIDS program. In addition, without adequate documentation to support the numbers used to calculate the earmarking, the CAPER could be misstated.

Recommendations

We recommend that management:

- Conduct a more robust review of the CAPER prior to it being submitted.
- Develop policies and procedures to specify what documentation should be maintained to support the CAPER.
- Develop policies and procedures to monitor the administrative expenditures of District of Columbia, Northern Virginia Regional Commission, and the Housing Authority of Prince George's County on a more recurring basis (e.g. monthly) to ensure that the HOPWA program is in compliance with the 3% grantee administration requirement for Earmarking – Grantee Level.
- Adhere to current policies and procedures related to the review of invoices and certification of services forms.
- Develop policies and procedures to monitor the types of expenditures subject to earmarking as the percentage of the total expenditures spent throughout the year.

Questioned Costs

\$34,936

Related Noncompliance

Noncompliance for Matching, Level of Effort and Earmarking

Material Noncompliance for Reporting (when considered in conjunction with Finding 2012-45)

Views of Responsible Officials

The Department of Health concurs with the finding regarding earmarking and reporting for the Housing Opportunities for Persons with AIDS program. The exception cited as a condition in this NFR will be reviewed immediately to ascertain the source of the discrepancy between the documentation provided by HAHST A and results reported in the final CAPER. Important note: HOPW A funds are available for up to three years and HAHSTA staff will review the variance and consult on the applicability of the earmark threshold to a 12-month budget period vs. the three-year program budget. DOH accepts the recommendations of the NFR and will overhaul all policies and procedures related to validating and providing quality review of CAPER, and providing on-going monitoring and recurring review of the administrative expenditures (for earmarks) that support the final CAPER. HAHSTA grant monitors and their supervisors will receive training to address lack of adherence to protocols for documenting delegation of duties and authorization to approve invoices and certification documents. HAHSTA will continue to

address recruitment for vacancies of key management positions responsible for oversight of HAHSTA grants and fiscal management.

<i>Finding Number</i>	2012-45
<i>Prior Year Finding Number</i>	2011-28
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS (14.241)
<i>Federal Award Number</i>	DCH11-F001 (FY12)
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

Regulation 24 CFR section 574.20 and 24 CFR part 91 requires grantees to submit to the Department of Housing and Urban Development (HUD) annually a report describing the use of the amounts received, including the number of individuals assisted, the types of assistance provided, and any other information that HUD may require. Annual reports are required until all grant funds are expended

Condition

As part of our testing over the reporting compliance requirement related to the HOPWA program, we reviewed the HUD-40110-D (Consolidated Annual Performance and Evaluation Report (CAPER)), which also includes the HUD-40010-C (Annual Progress Report). During our review of the reports, we noted that the financial information was not recorded accurately and completely (e.g. totals for certain columns were not completed and certain columns did not foot). In addition, some of the reported detailed amounts in the expenditure categories did not agree to the supporting documentation provided by management. Furthermore, certain statistical data (such as number of individuals assisted, types of assistance provided, etc.) included in the CAPER did not agree within the various sections of the report in which this data was included.

Cause

Adequate review was not performed on the financial report to ensure that the financial report submitted to HUD was complete and accurate.

Effect

The District did not comply with the reporting requirements for the HOPWA program.

Recommendations

We recommend that the DOH management provide training to applicable supervisors to ensure they are performing sufficient reviews of the CAPER and Annual Progress Report to ensure they are complete and accurate before they are submitted to HUD.

Questioned Costs

None

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

The Department of Health concurs with the finding regarding reporting deficiencies found in the support documentation used by HAHSTA to prepare the Consolidated Annual Performance and Evaluation Report (CAPER). Managers of the HAHSTA care, housing and support services programs have noted the discrepancies and miscalculations found by the auditors. HAHST A will address management training to increase the efficiency of oversight of the process of preparing and reviewing the report. HAHST A expects to fill the vacant Housing Manager position in FY 13 and will seek technical assistance and training for on-going development of the CAPER.

<i>Finding Number</i>	2012-46
<i>Prior Year Finding Number</i>	2011-29
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS (14.241)
<i>Federal Award Number</i>	DCH11-F001 (FY12)
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

24 CFR 85.40(a) states “Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.”

31 USC 7502(f)(2)(B) states that “each pass-through entity shall Monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means” to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Per 24 CFR 85.26(b)(3), grantees are to “ensure that appropriate corrective action is taken within six months after receipt of the [A-133] audit report in instance of noncompliance with Federal laws and regulations.”

Condition

During our testwork over subrecipient monitoring we noted there was a total of 16 subrecipients with total pass through funds of \$12,559,333 during FY 2012. To ensure the subrecipients are complying with the requirements of the grant, DOH performs two site visits for each subrecipient selected for monitoring: a program site visit and a grant site visit (i.e. financial site visit). We selected a sample of 4 subrecipients to test controls and compliance with subrecipient monitoring requirements and noted the following:

- For one subrecipient, DOH did not maintain adequate documentation to evidence the grant site visit report was approved by the Bureau Chief of Grant Management and Fiscal Control.
- For one subrecipient, DOH did not maintain adequate documentation to evidence the program site visit was reviewed and approved by the Supervisor.
- For two subrecipients, DOH did not perform a complete site visit. Specifically, DOH did not review a sample of program participants to ensure their eligibility was properly determined by the subrecipient.

- For two subrecipients, DOH did not maintain adequate documentation to prove that they followed up on findings that were issued as a result of the site visits.

Cause

Controls were not operating effectively to ensure that the District is in compliance with the subrecipient monitoring compliance requirement.

Effect

The District was not in compliance with the subrecipient monitoring compliance requirement for the Housing Opportunities for Persons with AIDS program.

Recommendation

We recommend that management implement monitoring controls to periodically review site visits to ensure they are complete, properly reviewed, and findings are followed up in a timely manner and that DOH personnel are adhering to existing policies and procedures related to grant visits.

Questioned Costs

None

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding regarding sub-recipient monitoring for Housing Opportunities for Persons with HIV/AIDS (HOPWA) subgrants. DOH seeks to adhere fully to federal pass-through and local requirements for monitoring DOH-issued grant awards. In response to this finding, DOH will immediately issue management protocols for oversight of monitoring plans, site visit schedules, on-site review protocols and reports. This immediate action will address deficiencies in oversight of activities of program monitors and grants management specialists for whom site visits should be a primary activity to facilitate review of performance, compliance and technical assistance needs of DOH's grantee-partners.

The DOH Office of Grants Management will continue to revamp and re-issue existing policies and procedures, to develop uniform tools and increase skills and competency of DOH personnel. Specific activities underway in FY 13 are a DOH Site Visit Workgroup and a skills-building training series targeting program, fiscal and grants specialists. DOH accepts the recommendations of the NFR as a part of a comprehensive plan to ensure that every grant issued has a pre-award risk/capacity-assessment, a risk-based monitoring plan, site visits and desk-review schedules and reports of progress and performance on record.

<i>Finding Number</i>	2012-47
<i>Prior Year Finding Number</i>	2011-30
<i>Federal Program</i>	Housing Opportunities for Persons with AIDS (14.241)
<i>Federal Award Number</i>	DCH11-F001 (FY12)
<i>Federal Agency</i>	Department of Housing and Urban Development (HUD)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Special Test and Provision-Housing Quality Standards
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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

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

Condition

During our testwork over special tests and provisions related to housing quality standards requirement, we noted there was a total of \$1,857,652 expenditures related to this compliance requirement. We selected a sample of three subrecipients, totaling \$652,428, to test controls and compliance with special tests and provisions for housing quality standards requirements and noted the following:

- For all three subrecipients selected for testing, DOH did not maintain adequate documentation to evidence that the housing quality inspections were reviewed by the Program Officer.
- For one of the three subrecipients selected for testing, the housing quality inspection failed and a follow-up inspection was not performed within the required 30 day period.

Cause

Controls were not operating effectively to ensure that the District was in compliance with the special tests and provisions for housing quality standards compliance requirement.

Effect

The District was not in compliance with the special tests and provisions for housing quality standards compliance requirement for the Housing Opportunities for Persons with AIDS program.

Recommendations

We recommend that management implement a monitoring control to periodically review housing quality inspections to ensure Program Officers are reviewing them. In addition, management should implement a process to track follow-up inspections to ensure they are being performed timely.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health concurs with the finding regarding special provisions testing for Housing Quality Standards for the HOPW A (Housing Opportunities for Persons with HIV / AIDS) program. Based on the three exceptions noted in the NFR, HAHST A will immediately review specific circumstances of reported lack of documentation of review and follow-up of the HQS by responsible HAHST A personnel. Important Note: As a corrective action to the prior year's A 133 audit, HAHSTA implemented a revised procedure to track review and follow of HQS inspections. This procedure began mid-calendar year 2012. DOH will determine if the exceptions noted from the FY 12 test samples were from the part of the year when the new procedures had not yet been implemented. DOH will consider as a corrective action implementation of pre award HQS inspections as an application and pre-award assurance and certification requirement. Technical assistance will be requested from HUD to support this.

<i>Finding Number</i>	2012-48
<i>Federal Program</i>	Unemployment Insurance (17.225)
<i>Federal Award Number</i>	Unemployment Trust Fund
<i>Federal Agency</i>	Department of Labor
<i>District Department</i>	Department of Employment Services (DOES)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During testwork over eligibility for the Unemployment Insurance Program (UI), we selected a sample of 40 payments from the total population of FY2012 UI claim payments. Within our sample of 40, we noted that the Unemployment Insurance Program was unable to provide sufficient documentation to support supervisory review of the UI eligibility determination.

Cause

UI does not have a control in place requiring supervisory review and approval of eligibility determinations.

Effect

Without adequate internal controls there is an increased risk that UI benefits will be paid to ineligible beneficiaries.

Recommendation

We recommend that management continues with its plans to implement a quality assurance process to review UI eligibility determinations.

Questioned Costs

None

Related Noncompliance

None

Views of Responsible Officials

The benefit system does not track the quality assurance audits that are performed by supervisors. These notes are maintained by the supervisors and are shared with the Human Resources Department if the corrective action or progressive discipline is warranted. The supervisory notes all formal communications between the supervisor and the employee which would then become a part of the employee's official record.

Supervisory and program management reviews of benefit determination were performed by the benefits supervisory staff the Benefit Accuracy Measurement Unit, and by the Quarterly Regional Benefits, Timeliness and Quality meetings.

<i>Finding Number</i>	2012-49
<i>Federal Program</i>	Unemployment Insurance (17.225)
<i>Federal Award Number</i>	Unemployment Trust Fund
<i>Federal Agency</i>	Department of Labor
<i>District Department</i>	Department of Employment Services (DOES)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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

Condition

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

1. DOES did not maintain adequate documentation to evidence that the following reports were reviewed by a supervisor prior to being submitted to the Department of Labor:
 - a. Two of the two ETA 581, Contribution Operations (OMB No. 1205-0178)
 - b. Two of the two ETA 191, Financial Status of UCFE/UCX (OMB No 1205-0162)
 - c. Two of the two ETA 227, Overpayment Detection and Recovery Activities (OMB No. 1205-0162)
 - d. One of the two ETA UI3, *UI Contingency report*
2. One of the two ETA 2112, *UI Financial Transaction Summary (OMB No. 1205-0154)* the review was performed after the report was submitted.
3. The detailed amounts reported in ETA 191, *Financial Status of UCFE/UCX (OMB No 1205-0162)* did not agree to the supporting documentation provided by management.
 - e. ETA 2112, *UI Financial Transaction Summary (OMB No. 1205-0154)*
 - f. ETA UI3, *UI Contingency report*

Cause

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

Effect

DOES program management has not maintained an appropriate control environment over reporting which could result in unsupported and inaccurate amounts being reported to the Federal government.

Recommendation

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

- Adequate internal resources are training in the reporting for the UI program
- Supporting documentation is maintained so that adequate management review can be performed prior to submission of the reports to the Federal government.

Questioned Costs

None

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

The Department of Employment is currently in the process of finalizing a standards and procedures process for ensuring documented supervisory review of reports prior to transmittal to the U.S. Department of Labor. Currently, a semi-informal process is conducted that allows all reports to be electronically received by specific program oversight managers and supervisors on an established schedule. This information is also received by the quality compliance team for data entry. Any edits or changes to the report prior to SUN System data entry are communicated via email to the team, if no error are noted via email or open communication, data entry and transmittal occurs. The same process is utilized by the quality compliance team in the event of key punch warning and fatal error messages are generated by the system upon data entry.

To enhance this process, it is important that signed documentation is maintained to ensure compliance with annual audit review. In support of this effort, by end of 4th Quarter for Fiscal Year 2013, the Department of Employment Services will establish, publish, and train required staff on standards and procedures for a systems-wide supervisory approval process and review sign-off of data and supporting documentation for each ETA report to include that referenced above prior to transmittal to DOL. In the meantime, all reports will immediately continue appropriate program supervisory review and approval electronically and provide email confirmation of the review to the compliance team; subsequently the compliance team will forward save report for final management approval prior to transmittal as we await full implementation of the above described enhancement.

Management concurs with the finding related to ETA 2112 and UI 3 Reports. Going forward we will continue to ensure that management review of 2112 Report is performed prior to report submission and that date of review is accurately stated. With regards to UI 3 Report, the report noted under the condition as not having evidence of review relates to March 2012. Beginning with the quarter ending June 2012, UI-3 Reports are reviewed and approved via email by the DOES' Agency Fiscal Officer prior to transmission to

the US Department of Labor. Management will continue to ensure that evidence IS maintained to support review of report prior to submission to the US Department of Labor.

As we explained before following data entry the SUN System would not allow the report to be saved or transmitted as Agency Code 012 as contained on the supporting documentation no longer exist. This error message was generated by the system. Several email exchanges document that the wages were entered by IDEC (Sub-contracted Vendor) and were being reported under 000 012 consistently, the mistake originates with TDEC staff-who submitted the initial report. Since the report would have failed the edits with a non-liable account number. Accounting staff found and entered the correct account number for the report. Because of the way wages from TDEC were handled in the past, they would have posted under the 000 012 number. If any of the UC-30s can be found in the file, it would be possible to find out who is responsible.

There is no way to correct the existing data, except for the wages. The information from the database shows what happened - that the account number originally entered was changed. The reports are posted to the 200 918 account, presumably the correct employer. The wages have all been deleted from 000 012. Wages are on file for 200 918 for 2012/1. This employer's wages will need to be entered for the other quarters.

The remaining question involves the charges. Normally, deleting wages will result in the charges being reversed. This may not happen with federal accounts. The first step was to check with benefit is to see if they have a way to reverse federal charges. Benefits investigation result is the fact that the wages reported on the federal quarterly charges are in fact for a private entity. As such, the Agency Code 012 which has been abolished and will credited to the Library of Congress Copyright Arbitration will receive an adjustment/credit that will appear on the July 1, 2013 3rd Quarter charge report. The property adjustment has been made by the Federal desk in the Benefits Division.

The ETA 191 cannot be edited to capture any updates after 3 months have passed as the new information anticipated July 1, 10 13 is beyond that period. The deletion of Agency Code 012 resulted in a line shift and the incorrect amount for Agency Code 410 was captured in the amount of \$16,402.95 instead of \$58,886.48 which reflects the amount for Agency Code 421.Finally Agency Code 642 is less 4 cents.

<i>Finding Number</i>	2012-50
<i>Prior Year Finding Number</i>	2011-33
<i>Federal Program</i>	Highway Planning and Construction (20.205)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Transportation / Federal Highway Administration (DDOT)
<i>District Department</i>	District Department of Transportation
<i>Compliance Requirement</i>	Davis-Bacon Act

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 40 U.S.C. 3141, the Davis-Bacon and Related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act and Related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine such locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors performing work on federal or District of Columbia contracts. The Davis-Bacon Act prevailing wage provisions apply to the “Related Acts,” under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance.

Additionally, per 29 CFR 5.5(a)(3) “the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The required weekly payroll information may be submitted in any form desired. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit them to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency), the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements”.

“Each payroll submitted shall be accompanied by a “Statement of Compliance,” signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

- (1) That the payroll for the payroll period contains the information required to be provided under § 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under § 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete”.

Department of Labor, FAQ, [29 CFR 5.5\(a\)\(3\)](#)

The Federal agency providing funding or the contracting agency in a financially-assisted construction contract has the primary, day-to-day responsibility for administering and enforcing the prevailing wage rate requirements in covered contracts. They are responsible for ensuring that the contractor maintains appropriate records by performing activities, such as:

- a) Verifying that covered contracts have incorporated the required Davis-Bacon clauses and the applicable wage determination(s);*
- b) Verifying that the Davis-Bacon notice and the applicable wage determination(s) are displayed at the site of the work in a conspicuous location in clear view of everyone;*
- c) Reviewing certified payrolls in a timely manner;*
- d) Conducting employee interviews;*
- e) Conducting investigations;*
- f) Forwarding refusal to pay and/or debarment consideration cases to the USDOL Wage and Hour Division for appropriate action; and*
- g) Submitting enforcement reports and semi-annual enforcement reports to the USDOL Wage and Hour Division.*

When a contractor is continually late with payroll submittals, the contracting agency must send the prime contractor a written notice restating the contract requirements for submitting the weekly payroll statements. If the contractor continues to submit the payroll statements late, the following actions can be taken:

- a) Withhold payments until the payroll submittal requirements are met;*
- b) Terminate the contract; or*
- c) Refer the violating contractor to the USDOL for possible legal prosecution and/or debarment.*

DDOT Davis-Bacon Compliance Division Policy (2012)

- Per DDOT policy (page 10) “A certified copy of each payroll for the prime contractor and each subcontractor, together with a completed and signed copy of the accompanying Statement of Compliance (Form No. DC 2640-11) must be mailed or delivered to the Contract Compliance Division within seven (7) days after the regular payment date of the payroll period”.*
- Per DDOT policy (page 15) “Every Statement of Compliance should be reviewed for compliance with Davis-Bacon Act and Copeland “Anti-kickback” Act requirements”.*
- Per DDOT policy (page 16) “The Compliance Manager is responsible for ensuring that the Department is in compliance with the regulations regarding receipt of and review of Statements of Compliance related to certified payrolls”.*
- Per DDOT policy (page 16) “If non-compliance [with Item 4.3] is observed, Wage Specialists should send a letter to both the Prime and Sub Contractor, if applicable, notifying them of the deficiency in the certified payroll submission. A revised payroll and accompanied by a compliant Statement of Compliance should be obtained from the Prime within 30 days”.*
- Per DDOT policy (page 10 of desk guide) “As the contracting agency, DDOT has **primary responsibility for the enforcement of construction labor standards** for the contracts,*

financial assistance, and other agreements it awards. The person designated as the contracting officer, as defined in 29 CFR 5.2, is responsible for ensuring that contractors and subcontractors submit timely certified payrolls consistent with the contract terms, and for monitoring labor standards compliance by reviewing pay records and conducting worker interviews”.

- Per 29 CFR 5.2, the term Contracting Officer means the individual, a duly appointed successor, or authorized representative who is designated and authorized to enter into contracts on behalf of the Federal agency.

Per DDOT policy (page 30 of desk guide) “The **due date** for each certified payroll to be submitted to DDOT, as the contracting agency, is **no later than one week after each weekly pay date**.”

Condition

During our testwork over compliance with the Davis-Bacon Act, we noted that DDOT was not consistently adhering to their policies and procedures, nor were they in full compliance with the compliance requirement which requires ensuring that contractors are in compliance with the Davis-Bacon Act and that certified payrolls are timely reviewed by DDOT. Specifically we noted the following:

- For 44 of the 65 certified payrolls tested, we noted that the certified payrolls or Statement of Compliance for no work performed was received by DDOT more than 15 days **after** the scheduled payroll week ending date **and** written follow-up was not provided or not provided timely (within 30 days) by DDOT to the contractor indicating that the certified payroll or Statement of Compliance for no work performed was not received by the due date. The following table reflects a breakdown of when the certified payrolls were received:

Certified Payroll Received	Total
15 – 29 days	34
30 - 44 days	0
45 - 59 days	0
60 - 89 days	2
>89 days	8

- For 13 of the 65 certified payrolls tested, we noted the certified payroll or Statement of Compliance for no work performed was not reviewed by program personnel timely (within 30 days).

Certified Payroll Reviewed	Total
1-30 days	0
31-59 days	6
60-89 days	4
>89 days	3

- For 1 of the 65 certified payrolls tested, we noted both the receipt date **and** the review date of the certified payroll were not documented; therefore, we could not determine the timeliness of receipt or review of the certified payroll.
- For 3 of the 65 certified payrolls tested, we noted that the receipt date was not documented; therefore, the timeliness of the receipt and review of the certified payroll could not be determined. (within 30 days).

Cause

DDOT did not adhere to their existing policies and procedures established to ensure that the contract specialist monitor contractor compliance with the Davis-Bacon Act.

Effect

Without adequate internal controls to ensure compliance with the Davis-Bacon Act compliance requirements there is an increased risk that, if a contractor is not paying their employees the prevailing wages established by the Department of Labor (DOL), it will not be detected timely for administering agencies to be able to collect restitution or report suspended contractors to DOL.

Recommendation

We recommend that the DDOT improve their internal controls to ensure certified payrolls are properly monitored in compliance with Davis-Bacon Act requirements.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

The Davis-Bacon criteria cited by KPMG in the Notification and Findings and Recommendations is the Davis Bacon requirements that are applicable to contractors. It is DDOT's responsibility to establish internal controls to reasonably ensure compliance with the requirements.

During FY 2012, DDOT established internal controls that resulted in receipt of all payrolls, the payment of wages according to the Davis-Bacon act, and the payment of restitution when contractors did not pay according to prevailing wages. As indicated in the FY 2011 Davis-Bacon findings, these procedures were to be in place by September 2012. As such, the agency's policies and procedures used by KPMG to evaluate Davis Bacon were not in effect for the first 11 months of the fiscal year. Therefore, DDOT challenges any findings during the period under audit that are based on such criteria. Specifically, we would like to address the conditions cited below:

- 18 of 65 certified payrolls requested for testing were for weeks in which No Work was Performed—
 Davis Bacon payroll submission requirements are specifically for weeks in which work is actually performed. As such, there is no follow-up requirement mandated by Federal guidelines. DDOT takes exception to this finding as the criteria is not support by Federal regulations.
- 41 of 65 certified payrolls tested were not followed up on timely manner and 13 of 65 were not reviewed timely-
 DDOT takes exception to these criteria for timely follow up and review as it is not supported by Federal regulation. Follow-up for weeks in which work was performed occurred in accordance with the agency’s policy as evidenced by 100% collection of certified payrolls for all contracts for which Davis-Bacon was applicable.
- 1 of 16 certified payrolls tested was not supported with a receipt date and review date-
 DDOT concurs with that assessment. The previous review was utilized by DDOT reviewers did not have a place for the reviewer to record the date of receipt of the payroll; however, review of the certified payroll occurred and was evidenced by the Wage Specialist signature.
- 3 of 65 certified payrolls tested were not supported with a receipt date and timely review could not be determined
 DDOT takes exception to this finding for timely review as the criteria is not supported by Federal regulations. Federal regulations require that the contractor submit weekly in accordance to 29 CFR 5.5. DDOT asserts that it has enforced monitoring standers to assure compliance with the labor standards clauses required by 5.5 and the applicable statues listed in 5.1

DDOT takes exception to the cause and effect noted above. DDOT monitored 100% of the contracts subject to Davis-Bacon, effectively minimizing risk that the agency failed to identify instances in which contractors did not pay prevailing wages.

KPMG’s Response

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

<i>Finding Number</i>	2012-51
<i>Prior Year Finding Number</i>	2011-33
<i>Federal Program</i>	Highway Planning and Construction (20.205)
<i>Federal Award Number</i>	Multiple
<i>Federal Agency</i>	Department of Transportation / Federal Highway Administration (DDOT)
<i>District Department</i>	District Department of Transportation
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment
<i>Finding Related to ARRA</i>	Yes

Criteria

The requirements for suspension and debarment are contained OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule (§____.36); and OMB Circular A-110 (2 CFR section 214.13). The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) established and maintained internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Not-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government wide non-procurement debarment and suspension guidance contains those additional limited circumstances. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

According to 27 DCMR (Chapter 22):

27-2206.3 *Before beginning a preaward survey, the contracting officer shall ascertain whether the prospective contractor is debarred, suspended, or ineligible. If the prospective contractor is debarred, suspended, or ineligible, the contracting officer shall not proceed with the preaward survey.*

Condition

During our testwork over Procurement, Suspension and Debarment compliance requirement we noted that for two out of fifteen contracts tested related to the Highway Planning and Construction program, the DDOT contracting division could not provide evidence that the District verified that the contractor was not suspended or debarred prior to execution of the contract.

Cause

DDOT did not adhere to their existing policies and procedures established to ensure that the contractor was in compliance with the Procurement, Suspension and Debarment requirements by either ensuring that the contract had a suspension and debarment clause, that the contractor submitted a certification, or program management performed their own EPLS search prior to entering into the contract.

Effect

Without adequate internal controls to ensure compliance with the Procurement, Suspension and Debarment compliance requirement, there is a possibility that a contract can be awarded to a vendor that is suspended or debarred.

Recommendation

We recommend that the DDOT contracting division strengthen its monitoring controls ensure that their established policies and controls are implemented and adhered to by program personnel to ensure compliance with the Procurement, Suspension and Debarment requirements.

Questioned Costs

None

Related Noncompliance

None

Views of Responsible Officials

While DDOT was unable to provide the documentation sufficient to prove its adherence to the established policies and procedures, it should be noted that all contractors are vetted in accordance with the procedures and moving forward, DDOT will ensure that ALL contract files include the required compliance verification documents.

<i>Finding Number</i>	2012-52
<i>Prior Year Finding Number</i>	NA
<i>Federal Program</i>	Highway Planning and Construction (20.205)
<i>Federal Agency</i>	Department of Transportation/Federal Highway Authority
<i>Federal Award Number</i>	Various
<i>District Department</i>	District Department of Transportation (DDOT)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

Per 31 CFR:

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District's CMIA Agreement with the U.S. Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns, which follows:

CFDA#20.205: Highway Planning and Construction
Recipient: District Department of Transportation
% of Funds the Agency receives: 100
Component: Program Payments
Technique: Actual Costs – Actual Cost- Average Clearance
Average Days of Clearance: 7 days

Condition

In fiscal year 2012, the District’s Highway Planning and Construction Program as operated by the District Department of Transportation (DDOT) drew down cash on a weekly basis. During our testwork over a sample of twenty five (25) program expenditures totaling \$4,492,642 we noted that for one (1) expenditure totaling \$5,632, DDOT was not in compliance with the Cash Management Improvement Act (CMIA) Agreement with the U.S. Department of Treasury (the Agreement) with respect to the Highway Planning and Construction program. Specifically, we noted that one expenditure totaling \$5,632 was requested for reimbursement before the 7 day clearance pattern from the date the expenditure was paid set forth in the Agreement, resulting in the funds being received from the Department of Treasury (Treasury) before the 7 day clearance pattern and interest being due to Treasury in the amount of \$.03.

Cause

DDOT performed weekly drawdowns for the Highway Planning and Construction program in FY 2012 but didn’t implement adequate controls to ensure full compliance with the CMIA Agreement with Treasury.

Effect

The DDOT was non-compliant with the CMIA Agreement with Treasury.

Recommendation

We recommend that DDOT strengthen its internal controls to ensure compliance with applicable cash management requirements and the CMIA Agreement with Treasury.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

Management does not agree with this finding. The Highway Planning and Construction program performs consolidated billing for multiple grants from the Federal Highway Administration (FHWA) on a weekly basis in compliance with FHWA requirements for such consolidated billing. The District’s billing practices and CMIA agreement for program 20.205 have been unchanged for years. The audit firm, KPMG, has assumed a new interpretation of CMIA, as their previous audits included review of similar transactions and

timing with no resultant audit finding. The client and auditor are unable to resolve this interpretive difference. Therefore, in consultation with US Treasury, a modification of the 2013 CMIA Treasury/State Agreement for program 20.205 has been submitted to clarify actual practice and avoid a difference in interpretation of the Agreement in future. It is too late to modify the 2012 agreement. Management believes that program 20.205 is in full compliance with the CMIA Treasury/State Agreement as consolidated billing implies that the 7 day average clearance pattern should be applied to the combined consolidated bill amount, and not to individual transactions. DDOT completed corrective action prior to receipt of this finding by requesting a clarifying modification of the current 2013 Treasury/State Agreement to ensure no such disagreement will be repeated

KPMG's Response

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

<i>Finding Number</i>	2012-53
<i>Prior Year Finding Number</i>	NA
<i>Federal Program</i>	Highway Planning and Construction (20.205)
<i>Federal Agency</i>	Department of Transportation/Federal Highway Administration
<i>Federal Award Number</i>	Various
<i>District Department</i>	District Department of Transportation
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During testwork over the reporting compliance requirement it was noted that the program had insufficient controls in place related to management’s review and approval of the 1512 ARRA Quarterly reports. Specifically, it was noted for the quarter ended 12/31/11, for Project #SR068A related to the “Western Avenue, NW” construction project, the incorrect revenue amount was reported to federalreporting.gov which was not identified by management until their testwork was performed. As this report is cumulative we noted that the amount reported for the following quarter ended 3/31/12, the correct amount of total cumulative expenditures were reported, therefore no questioned costs were noted.

Cause

Management indicated an input error occurred where the total expenditure amount for the period ended 12/31/11 per the CFO Solve Report of \$ 2,732,712 was incorrectly input into the reporting system for the total revenue amount. However, the actual amount reflected in the CFO Solve report for revenue for the period ended 12/31/11 that should have been reported was \$2,691,874. This input error resulted in a difference of \$40,838 being over reported for revenue for the quarter ended 12/31/11. Additionally, an adequate review was not performed on the ARRA quarterly report for the quarter ended 12/31/11 to ensure that the report submitted to www.Recovery.gov was complete and accurate.

Effect

Without adequate internal controls to ensure information entered into reports or supporting documentation is complete and accurate, the program could be non-compliant with the reporting compliance requirements.

Recommendation

We recommend that the program management evaluate and increase the level of precision performed during its reporting review process to ensure that the Department of Transportation program management adhere to its existing policies and procedures requiring a proper review of the quarterly reports.

Related Noncompliance

Noncompliance

Views of Responsible Officials

KPMG identified a single number entered incorrectly, a number that was corrected in subsequent reports. The information provided in this report did not affect expenditures or reimbursements from FHWA. In DDOT's view, this single instance that was identified, where data was entered into the wrong field, does not indicate a control failure.

Each reporting period DDOT enters information for each of the nine ARRA projects:

- (1) the total amount of recovery funds received from that agency;
- (2) the amount of recovery funds received that were expended or obligated to projects or activities; and
- (3) a detailed list of all projects or activities for which recovery funds were expended or obligated, including—
 - (A) the name of the project or activity;
 - (B) a description of the project or activity;
 - (C) an evaluation of the completion status of the project or activity;
 - (D) an estimate of the number of jobs created and the number of jobs retained by the project or activity; and
 - (E) for infrastructure investments made by State and local governments, the purpose, total cost, and rationale of the agency for funding the infrastructure investment with funds made available under this Act, and name of the person to contact at the agency if there are concerns with the infrastructure investment.
- (4) Detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109–282), allowing aggregate reporting on awards below \$25,000 or to individuals, as prescribed by the Director of the Office of Management and Budget.

Since the beginning of the American Recovery and Reinvestment Act (ARRA) of 2009, DDOT has undergone several audits of this process, a process that has been consistent at DDOT. In all of the previous audits conducted on DDOT's 1512 reporting compliance procedures, and specifically management's review and approval of the 1512 ARRA Quarterly reports, no discrepancies had previously been identified. DDOT's 1512 reporting procedure involves a two-step approval process. The Agency ARRA Grant Manager gathers information from multiple sources to include FHWA, OCFO, the Office of Contracting and Procurement, Project Managers, and agency IT data collection sources. The information is then entered into the Quick Base System by the agency ARRA Grant Manager. Once the information has been entered the ARRA Grant Manager and ARRA Lead review the information together before the information has been submitted. OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. DDOT believes that it has procedures in place to meet this requirement. DDOT will continue its review process to help ensure that information is reported correctly.

<i>Finding Number</i>	2012-54
<i>Prior Year Finding Number</i>	2011-45
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Grant Award # and Year</i>	T08HP22496 (7/1/2011- 6/30/2012) P063P121238 (4/14/2010- 12/31/2013) P007A110836 (4/14/2010- 12/31/2013) P0033A110836 (4/14/2010- 12/31/2013) P268K121238 (4/14/2010- 12/31/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Eligibility Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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

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

Condition

The University disbursed \$41,494,627 in student financial assistance in fiscal year 2012. We tested 65 students who received \$741,405 in student financial assistance and noted:

- For 22 students who received \$268,886 in student financial assistance, the University incorrectly calculated the cost of attendance (COA).
- For 2 students who received \$17,494 in student financial assistance, the award amount was greater than the subsidized loan limit; one of these students was also over the combined subsidized and unsubsidized loan limit. These two students were over the limit by a combined \$648. The federal financial assistance disbursed in excess of the federal limit is considered an unallowable cost.
- For 3 students who received \$27,896 in student financial assistance, the student did not maintain satisfactory academic progress and should have been suspended from receiving financial assistance because they did not satisfy the minimum grade point average (GPA) requirements. The federal

financial assistance disbursed for these students is considered an unallowable cost resulting in questioned costs of \$11,416

- For 1 student who received \$38,894 in student financial assistance, the student was incorrectly provided a non-resident COA budget instead of a metro-resident budget. This resulted in excess aid being awarded in the amount of \$3,739. The federal financial assistance disbursed in excess of allowable limits is considered an unallowable cost.
- For 1 student who received \$38,894 in student financial assistance, the student received an award in excess of need and/or the expected family contribution (EFC). The student was awarded \$3,739 of aid in excess of their EFC. This amount is considered an unallowable cost.
- For 16 students who received \$184,772 in student financial assistance, we did not receive sufficient supporting documentation (i.e., transcripts, SAR form) to determine whether the University is in compliance with the requirements of the student financial assistance cluster. These amounts are considered an unallowable cost.

Cause

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

Effect

The University is not able to demonstrate compliance with the Eligibility and Activities Allowed or Unallowed and Allowable Costs requirements of the Student Financial Assistance cluster.

Recommendation

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

Questioned Costs

\$200,575 (\$648+11,416+\$3,739+184,772)

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

Per page 3-33 of Volume 3 of the Federal Student Aid Handbook, “The cost of attendance for a student is an estimate of that student’s educational expenses for the period of enrollment.” For the 22 students listed as having an incorrect COA, was the result of estimating Federal student loan fees should the students consider borrowing.

For the two students that exceeded the loan aggregate the funds were returned to the Federal student loan program.

UDC has updated its policies, procedures and Banner system controls to ensure loan aggregates are not exceeded, SAP is correctly calculated and student budgets are adjusted based on changes in Residency and do not exceed their COA. UDC is reviewing its records management process to ensure all H.S., GED and transfer transcripts are digitally available and SAR's archived

<i>Finding Number</i>	2012-55
<i>Prior Year Finding Number</i>	2011-38
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	T08HP22496 (7/1/2011- 6/30/2012) P063P121238 (4/14/2010- 12/31/2013) P007A110836 (4/14/2010- 12/31/2013) P0033A110836 (4/14/2010- 12/31/2013) P268K121238 (4/14/2010- 12/31/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Period of Availability
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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

Condition

The University disbursed \$41,494,627 in student financial assistance in fiscal year 2012. We selected 65 students who received a total of \$249,135 in student financial assistance in fiscal year 2012. We noted:

- For 15 students who received \$45,231 in student financial assistance, the University's return of Title IV funds calculation was computed incorrectly; therefore an incorrect adjustment was made to the student's account.
- For 1 student who received \$694 in student financial assistance, the University made an adjustment to the student's account which resulted in excess financial assistance being disbursed. As of April 2013, the excess aid was not returned to the Department of Education.

Cause

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

Effect

The University is not in compliance with the student financial assistance program period of availability compliance requirements.

Recommendation

We recommend that the University establish controls, policies and procedures that support adherence to the requirements of the student financial assistance program. This includes ensuring adjustments are applied to the student account in the proper period and are accurate.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$355

To determine questioned costs we independently re-calculated the amount of aid that should have been returned and determined the University returned \$355 less than what was required.

Views of Responsible Officials

The University is reviewing and ensuring its “Banner” Financial Aid Management system has been updated, and procedures developed, to ensure R2T4’s are calculating correctly (to include Spring Break dates) in accordance with Federal student aid regulations.

The University is reviewing the \$694 in excess and will return accordingly to the Federal student aid programs

<i>Finding Number</i>	2012-56
<i>Prior Year Finding Number</i>	2011-39
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Grant Award # and Year</i>	T08HP22496 (7/1/2011- 6/30/2012) P063P121238 (4/14/2010- 12/31/2013) P007A110836 (4/14/2010- 12/31/2013) P0033A110836 (4/14/2010- 12/31/2013) P268K121238 (4/14/2010- 12/31/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia (UDC)
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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

34 CFR 690.83 – Fiscal control and fund accounting procedures. (a) An institution shall follow provisions for maintaining general fiscal records in this part and in 34 CFR 668.24(b). (b) An institution shall maintain funds received under this part in accordance with the requirements in § 668.164.

Condition

The University disbursed \$41,494,627 in student financial assistance in fiscal year 2012. We traced and agreed the FISAP Report to supporting documentation provided by the University and noted the following discrepancies:

- Line 23 on Part II *Application to Participate for Award Year July 1, 2013 through June 30, 2014* Section E did not agree with the support provided. There was a difference of \$2,079.
- Part III *Federal Perkins Loan Program for Award Year July 1, 2011 through June 30, 2012*, we noted the following:
 - Line 5 of Section A column (b) did not agree with the support provided by 5 borrowers.
 - Line 4 of Section A column (c) did not agree with the support provided. There was a difference of \$4,413.

- Line 5 of Part III Section A column (d) did not agree with the support provided. There was a difference of \$6,647.
- Line 10 of Section A column (b) did not agree with the support provided. There was a difference of 19 borrowers.
- Line 31 of Section A column (d) did not agree with the support provided. There was a difference of \$746.
- Line 32 of Section A column (d) did not agree with the support provided. There was a difference of \$57.
- Line 1.1 of Section C column (b) did not agree with the support provided. There was a difference of 4 borrowers.
- Line 3 of Section C column (b) did not agree with the support provided. There was a difference of 6 borrowers.
- Line 5.4 of Section C column (b) did not agree with the support provided. There was a difference of 2 borrowers.
- Line 1.1 of Section C column (c) did not agree with the support provided. There was a difference of \$6,627.
- Line 5.4 of Section C column (c) did not agree with the support provided. There was a difference of \$1,655.
- Line 5.4 of Section C column (d) did not agree with the support provided. There was a difference of \$1,635.

We selected 65 students who received a total of \$280,471 in Pell awards in fiscal year 2012. During our testwork over reporting we noted the following:

- For 17 students who received \$66,496 in Pell awards, the award amount per Common Origination and Disbursement (COD) did not match the amount per the University's records.
- For 7 students who received \$29,140 in Pell awards, the Cost of Attendance per COD did not match the amount per the University's records.
- For 7 students who received \$22,896 in Pell awards, the enrollment date per COD did not match the date the classes began on the academic calendar.
- For 5 students who received \$16,513 in Pell awards, the transaction number per COD did not match the amount per the University's records.
- For 9 students who received \$34,116 in Pell awards, the student's disbursement was not transmitted within the 30 day requirement.
- For 6 students who received \$24,282 in Pell awards, the origination date per COD could not be provided.
- For 11 students who received \$40,398 in Pell awards, the origination date per COD did not match the date per BANNER.

- For 4 students who received \$15,189 in Pell awards, the disbursement date per COD did not match the date per BANNER.

Cause

The University does not develop sufficient controls, policies and procedures in place to ensure compliance with all applicable SFA cluster reporting requirements.

Effect

The University is not in compliance with all reporting student financial assistance cluster requirements.

Recommendation

We recommend the University implement policies, procedures and controls to ensure the University is in compliance with the reporting requirements of the student financial assistance cluster.

Questioned Costs

None

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

UDC is liquidating the Federal Perkins Loan Program. The U.S. Department of Education has received official notification from the University President of UDC's intent to liquidate as well as indicating it on the FISAP.

Part III Federal Perkins Loan Program for Award Year July 1, 2011 through June 30, 2012 errors were a result of numbers from the second NRP60081 (third party servicer) totals not being added to the original Perkins financial data statement and updated on the FISAP. This will be corrected once the FISAP is updated to reflect the liquidation.

For the 17 students that received \$66,496 in Pell awards, the Disbursed amount in the University's records matched COD disbursements. The awarded amount was/is listed as full-time to inform the student the maximum amount they could have received and the disbursed amount is made on actual enrollment (i.e., ½ or ¾ time).

UDC is reviewing the Banner system data-loads and controls and is updating procedures to ensure the cost of attendance, origination, disbursement and transaction dates are correctly batch transmitted to COD in a timely manner.

<i>Finding Number</i>	2012-57
<i>Prior Year Finding Number</i>	2011-40
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Grant Award # and Year</i>	T08HP22496 (7/1/2011- 6/30/2012) P063P121238 (4/14/2010- 12/31/2013) P007A110836 (4/14/2010- 12/31/2013) P0033A110836 (4/14/2010- 12/31/2013) P268K121238 (4/14/2010- 12/31/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests and Provisions – Verification
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., audited management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

34 CFR 668.54(a)(1) states “Except as provided in paragraph (b) of this section, an institution must require an applicant whose FAFSA information is selected for verification by the Secretary, to verify the information specified by the Secretary pursuant to § 668.56.”

Condition

The University disbursed \$41,494,627 in student financial assistance in fiscal year 2012. During our testwork over the ‘Verification’ Special Test & Provision, we tested 65 students who received \$454,906 in student financial assistance and were verified by the University. We noted:

- For 65 students tested, there is no evidence of review and approval of the verification performed.
- For 1 student who did not receive any student financial assistance, but was selected by the Department of Education for verification prior to the student’s decision not to attend the University, the number of family members in post-secondary education on the verification form did not match the number on the Institutional Student Information Record (ISIR).
- For 2 students who received \$1,575 in student financial assistance, the U.S. income tax paid per the tax return for the parent of the students did not match the information reported on the ISIR.
- For 1 student who received \$2,775 in student financial assistance, the student's Adjusted Gross Income (AGI) per the tax return did not match the information reported on the ISIR.
- For 1 student who received \$5,550 in student financial assistance, the student's U.S. income tax paid per the tax return did not match the information reported on the ISIR.

- For 1 student who did not receive any student financial assistance, but was selected by the Department of Education for verification prior to the student's decision not to attend the University, the AGI per the tax return for the parents of the student did not match the information reported on the ISIR.

Cause

The University does not have adequate controls in place over the required verification of student applications.

Effect

The University did not comply with the verification of student application requirements of the Student Financial Assistance cluster.

Recommendation

We recommend the University establish controls, policies and procedures that ensure compliance with the requirements of the Student Financial Assistance cluster. These procedures should include: (1) ensuring there is evidence of review of verifications, and; (2) data corrections are submitted to the central processor.

Questioned Costs

\$9,900

Total questioned costs is \$1,575+\$2,775+\$5,550

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

3,173 UDC Financial Aid Applicants were selected for Verification in 11-12. Federal student aid regulations nor UDC Financial Aid Policy and Procedure require the Executive Director to review and approve every file selected for verification. UDC policy is each Financial Aid Counselors' first-initial 30 files are reviewed 10 at a time to ensure accuracy. Once the Counselor's files are proficient, a notation is made in the Counselor's performance evaluation and no longer reviewed by the Director or Assistant Director.

For the 12-13 Award Year new controls are in place to ensure 100% verification accuracy. The University has implemented a verification checklist that each counselor must complete as a part of their verification review.

<i>Finding Number</i>	2012-58
<i>Prior Year Finding Number</i>	2011-42, 2011-43
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	T08HP22496 (7/1/2011- 6/30/2012) P063P121238 (4/14/2010- 12/31/2013) P007A110836 (4/14/2010- 12/31/2013) P0033A110836 (4/14/2010- 12/31/2013) P268K121238 (4/14/2010- 12/31/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests and Provisions – Return of Title IV Funds
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., audited management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

34 CFR § 668.22 Treatment of title IV funds when a student withdraws. (a) General. (1) When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student’s withdrawal date in accordance with paragraph (e) of this section

34 CFR § 668. Refund reserve standards. b) Timely return of title IV, HEA program funds. In accordance with procedures established by the Secretary or FFEL Program lender, an institution returns unearned title IV, HEA program funds timely if - (1) The institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 45 days after the date it determines that the student withdrew; (2) The institution initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew; (3) The institution initiates an electronic transaction, no later than 45 days after the date it determines that the student withdrew, that informs a FFEL lender to adjust the borrower's loan account for the amount returned; or (4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. An institution does not satisfy this requirement if - (i) The institution's records show that the check was issued more than 45 days after the date the institution determined that the student withdrew; or (ii) The date on the cancelled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

Condition

The University disbursed \$41,494,627 in student financial assistance in fiscal year 2012. We selected 65 students who received a total of \$249,135 in student financial assistance in fiscal year 2012. We noted:

- For 2 students who received \$9,845 in student financial assistance, the withdrawal form or withdrawal email request was not signed by an Office of the Registrar representative.

- For 10 students who received \$40,246 in student financial assistance, the withdrawal form did not agree with the withdrawal date input in BANNER.
- For 36 students who received \$132,395 in student financial assistance, the percentage of enrollment calculation per the University was incorrect.
- For 28 students who received \$98,761 in student financial assistance, the University did not consider the Spring break, as required by 34 CFR 668.22(f)(ii)(B), in their return of funds calculation for the Spring 2012 semester withdrawal.
- For 1 student who received \$5,587 in student financial assistance, the revised award screen in BANNER (RPATIVC) did not agree to the amount disbursed per the student account activity.
- For 1 student who received \$694 in student financial assistance, due to an error in the return calculation the student was over awarded when the post-withdrawal disbursement made by the University.
- For 2 students who received \$10,043 in student financial assistance, the University's erroneously returned financial aid earned by the University to the department of education because of an error in the return of title IV funds calculation.
- For 11 students who received \$34,494 in student financial assistance, the University did not apply the correct refund to the student's account.
- For 1 student, the University did not disburse the earned award to the student in the amount of \$1,388 in Pell awards.
- For 6 students who received \$15,524 in student financial assistance, the refunds were not made within 45 days.
- For 1 student who received \$694 in student financial assistance, the University made a post-withdrawal to the student which resulted in them over-awarding the student. Therefore, the University did not make the needed return within 45 days.

Cause

The University does not have controls, policies and procedures in place to ensure compliance with the Special Tests and Provisions-Return of Title IV funds requirements of the student financial assistance cluster.

Effect

The University is not in compliance with the student financial assistance cluster Special Tests and Provision-Return of Title IV funds requirements.

Recommendation

We recommend that the University establish controls, policies and procedures that support adherence to the requirements of the student financial assistance program. These include ensuring: (1) return of title IV funds calculations are reviewed and approved prior to processing, and; (2) adequate supporting documentation is maintained to support withdrawal.

Questioned Costs

\$355

We independently re-calculated the over/under payment of the return amount and noted only one instance resulted in an under payment of the return in the amount of \$355.

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

The Office of the Registrar has implemented withdrawal policies and procedures, and will conduct monthly “audits” to ensure program compliance, and appropriate maintenance of documents. Staff training is ongoing. The University has established controls, policies, and procedures that ensure compliance, and has increased periods of reporting to NSC. Further, the office of the registrar has established a working relationship with the NSC that allows it to identify and address reporting issues/concerns in a timelier manner.

The Banner system has been updated and procedures developed to ensure Spring Break is calculated in all Return of Title IV calculations for applicable aid recipients.

The Financial Aid Office is updating its policies, procedures and controls to ensure all refunds are correctly calculated within the 45 day period for all official and unofficial withdrawals.

<i>Finding Number</i>	2012-59
<i>Prior Year Finding Number</i>	2011-44
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	T08HP22496 (7/1/2011- 6/30/2012) P063P121238 (4/14/2010- 12/31/2013) P007A110836 (4/14/2010- 12/31/2013) P0033A110836 (4/14/2010- 12/31/2013) P268K121238 (4/14/2010- 12/31/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests and Provisions - Enrollment Reporting (FFEL and Direct Loan)
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

34 CFR § 682.610 Administrative and fiscal requirements for participating schools.(a) General. Each school shall—(1) Establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in the regulations in this part and in 34 CFR part 668; (2) Follow the record retention and examination provisions in this part and in 34 CFR 668.24; and (3) Submit all reports required by this part and 34 CFR part 668 to the Secretary. (b) Loan record requirements. In addition to records required by 34 CFR part 668, for each Stafford, SLS, or PLUS loan received by or on behalf of its students, a school must maintain— (1) A copy of the loan certification or data electronically submitted to the lender, that includes the amount of the loan and the period of enrollment for which the loan was intended;

34 CFR § 685.309 Administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program. (a) General. A participating school shall—(1) Establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in this part and in 34 CFR part 668; and (2) Submit all reports required by this part and 34 CFR part 668 to the Secretary. (b) Student status confirmation reports. A school shall— (1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who— (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis; (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (iii) Has changed his or her permanent address.

Condition

The University disbursed \$41,494,627 in student financial assistance in fiscal year 2012. We selected 65 students who received a total of \$436,434 in student financial assistance in fiscal year 2012.

During our testing over Enrollment Reporting we noted:

- For 18 students who received \$84,163 in student financial assistance, the lenders were not notified within 30 days of the student's status change, as required.
- For 2 students who received \$20,114 in student financial assistance, the National Student Clearinghouse (NSC) indicated that there is no notification history for the student.
- For 2 students who received \$10,471 in student financial assistance, no withdrawal form was provided and therefore we could not verify the student's withdrawal date.

Cause

The University does not have adequate policies, procedures and controls in place over the special tests and provision-enrollment reporting process.

Effect

The University is not in compliance with the student financial assistance cluster special tests and provision-enrollment reporting requirements.

Recommendation

We recommend that the University establish controls, policies and procedures that ensure compliance with the requirements of the student financial assistance program. These include ensuring: (1) proper supporting documentation is maintained, and; (2) student withdrawals are reported to the NSC and lenders in a timely manner.

Questioned Costs

\$104,277

Total questioned costs equals \$84,163 +\$20,114. The \$10,471 is not included because these exceptions were included in the \$84,163 in the first exception.

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

The University has established controls, policies, and procedures that ensure compliance with the requirements of the student financial assistance program, including ongoing staff training, increased NSC reporting, enhanced records maintenance, auditing, and retrieval processes. Further, the University has established a working relationship with the NSC that allows the Office of the Registrar to identify and address reporting issues/concerns in a timelier manner.

<i>Finding Number</i>	2012-60
<i>Prior Year Finding Number</i>	2011-45
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Federal Award Number</i>	T08HP22496 (7/1/2011- 6/30/2012) P063P121238 (4/14/2010- 12/31/2013) P007A110836 (4/14/2010- 12/31/2013) P0033A110836 (4/14/2010- 12/31/2013) P268K121238 (4/14/2010- 12/31/2013)
<i>Federal Agency</i>	Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 34 CFR sections 685.102(b), 685.301, and 303. Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (*OMB No. 1845- 0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month.

Condition

The University disbursed \$30,297,806 in direct student loan financial assistance in fiscal year 2012. We tested 65 students who received a total of \$575,756 in loan disbursements in fiscal year 2012 and noted:

- The University does not retain copies of the reconciliation performed between the School Account Statement (SAS) file and information included in BANNER.
- For 4 students who received \$17,915 in loan disbursements, the loan disbursement date per the Common Origination and Disbursement (COD) does not agree with the disbursement date per the students' accounts (BANNER).
- For 6 students who received \$35,066 in loan disbursements, the University sent the disbursement notification before the disbursement was made.
- For 1 student who received \$11,705 in loan disbursements, the disbursement information was not transmitted within 30 days, as required.

Cause

The University does not have adequate controls in place to ensure compliance with the Special Tests and Provisions-Borrower Data Transmission and Reconciliation (Direct Loan) requirements of the student financial assistance cluster.

Effect

The University is not in compliance with the Special Tests and Provisions-Borrower Data Transmission and Reconciliation (Direct Loan) requirements of the student financial assistance cluster.

Recommendation

We recommend that the University establish controls, policies and procedures to ensure compliance with the requirements of the student financial assistance program. These should include: (1) ensuring reconciliations between the student account statement (SAS) report and the general ledger are performed, reviewed and maintained, and; (2) disbursement data agrees to student account data and is transmitted in a timely manner.

Questioned Costs

\$64,686

Total questioned costs equals \$17,915+\$35,066+\$11,705

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

UDC has updated its policies, procedures and controls to ensure copies of monthly reconciliations are retained for audit review and general reference. Secured monthly reconciliation files that contain the raw data from both Banner and COD, as well as the reconciliation spreadsheet(s) will be housed in an accessible, but secure UDC shared drive.

UDC is reviewing the Banner system data-loads and controls to ensure the COD disbursement date is equal to the Banner disbursement date and notifications accurately sent while ensuring disbursements are submitted no later than the 30 day limitation.

<i>Finding Number</i>	2012-61
<i>Prior Year Finding Number</i>	2011-41
<i>Federal Program</i>	Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268, 93.925)
<i>Grant Award # and Year</i>	T08HP22496 (7/1/2011- 6/30/2012) P063P121238 (4/14/2010- 12/31/2013) P007A110836 (4/14/2010- 12/31/2013) P0033A110836 (4/14/2010- 12/31/2013) P268K121238 (4/14/2010- 12/31/2013)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	University of the District of Columbia
<i>Compliance Requirement</i>	Special Tests and Provisions – Disbursements To or On Behalf of Students
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

34 CFR § 690.61 Submission process and deadline for a Student Aid Report or Institutional Student Information Record. (a) Submission process. (1) Except as provided in paragraph (a)(2) of this section, an institution must disburse a Federal Pell Grant to an eligible student who is otherwise qualified to receive that disbursement and electronically transmit Federal Pell Grant disbursement data to the Secretary for that student if— (i) The student submits a valid SAR to the institution; or (ii) The institution obtains a valid ISIR for the student. (2) In determining a student's eligibility to receive his or her Federal Pell Grant, an institution is entitled to assume that SAR information or ISIR information is accurate and complete except under the conditions set forth in 34 CFR 668.16(f) and 668.60.

34 CFR § 668.165 Notices and authorizations. (a) Notices. (1) Before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.

34 CFR § 668.304 Counseling borrowers. (a) Entrance counseling. (1) Except as provided in paragraph (a)(8) of this section, a school must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, or Federal SLS Loan.

Condition

The University disbursed \$41,494,627 in student financial assistance in fiscal year 2012. We tested 65 students who received a total of \$741,405 in student financial assistance in fiscal year 2012 and noted:

- For 1 student who received \$2,774 in student financial assistance, a valid Institutional Student Information Report (ISIR) could not be provided.
- For 1 student who received \$4,163 in student financial assistance, the Pell award amount was not within the Pell Schedule guidelines. This resulted in an over-award in the amount of \$1,388.
- For 46 students who received \$664,331 in student financial assistance, there was insufficient documentation to support the date each student received a disbursement notification with the required information.

Cause

Management does not have sufficient controls, policies and procedures to ensure compliance with all applicable Special Tests and Provisions - Disbursements To or On Behalf of Students requirements.

Effect

The University is not in compliance with the Special Tests and Provisions - Disbursements To or On Behalf of Students requirements of the Student Financial Assistance cluster.

Recommendation

We recommend the University establish controls, policies and procedures that ensure compliance with the requirements of the Student Financial Assistance cluster.

Questioned Costs

\$4,162

Total questioned costs equals \$2,774+\$1,388

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

UDC has updated its policies, procedures and controls to ensure all ISIR's are electronically archived.

34 CFR 690.63(g) and in Chapter 3, Volume 3 page 3-41 of the Federal Student Aid Handbook states, "Pell Grant awards are based on a 9-month EFC in the students SAR/ISIR and COA. . . " The \$4,163 was based on $\frac{3}{4}$ time enrollment for the Summer Semester and should not have been reduced to COA and reduced by \$1,388.

Although UDC had an automated batch process in place to notify students of their scheduled disbursement and right to reduce or cancel their loans, the University was unable to produce records of students notified in the batch runs due to the loss of a staff member that kept the reports on file.

UDC is reviewing and updating its Banner system procedures to ensure controls are in place to keep batch records of students receiving disbursement notifications with the award content and scheduled disbursement date of their and loans and when the notification was/is sent.

<i>Finding Number</i>	2012-62
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010, 84.389)
<i>Federal Award Number</i>	S010A110051-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, & Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	Yes

Criteria

Per OMB Circular A-87:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

Condition

During FY 2012, Title I had a total of \$21,782,215 in personnel and benefit disbursements. During our testwork over a sample of 95 Title I payroll disbursements totaling \$252,388, we noted that for the two pay periods tested, one employee received an incorrect pay rate based on the supporting documentation provided. This resulted in an overpayment to the employee of \$235 in gross pay for the pay periods sampled. Additionally, when employees are overpaid due to payroll errors, the overpayment is not retroactively deducted from their salary after the error is identified.

Cause

Internal controls over payroll were not operating effectively to ensure that the employee's pay rate in the payroll system was accurate.

Effect

Without proper internal controls in place to ensure that overpayments to employees are properly and timely being identified, and that pay rates are accurately entered into the payroll system, payroll expenditures could be overcharged to the Title I grant.

Recommendation

We recommend that DCPS strengthen their internal controls to ensure that correct rates are entered into the payroll system and to more accurately and timely monitor and recoup overpayments to employees.

Questioned Costs

Not determinable. However we noted that there were no indirect costs charged to the grant and there was \$21,782,215 in personnel and benefit disbursements.

Related Noncompliance

Noncompliance

Views of Responsible Officials

In February 2013, DCPS implemented additional safeguards in its applicant tracking/hiring system to ensure employees are hired onto the pay scale for which they are qualified. The new functionality imports information from PeopleSoft and displays the current attributes of the destination position alongside the candidate qualifications so that HR employees can confirm they match before requesting the hire. In addition, Human Resources has developed a regular internal auditing process to confirm employee attributes match those of the hiring request immediately after hire, before they incur additional costs.

<i>Finding Number</i>	2012-63
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010, 84.389)
<i>Federal Award Number</i>	S010A110051-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

Per 31 CFR:

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State’s payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State’s actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District’s CMIA Agreement with the US Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns

CFDA#84.010:
Recipient: Office of the State Superintendent of Education
% of Funds the Agency receives: 55
Component: Payroll
Technique: Actual Costs – Modified Clearance
Average Days of Clearance: 0 days

Recipient: Office of the State Superintendent of Education
% of Funds the Agency receives: 30
Component: Program Payments
Technique: Actual Costs – Modified Clearance
Average Days of Clearance: 7 days

Recipient: Office of the State Superintendent of Education
% of Funds the Agency receives: 15
Component: Administrative Costs
Technique: Actual Costs – Modified Clearance
Average Days of Clearance: 7 days

Condition

In fiscal year 2012, the District of Columbia Title I program had cash drawdowns of \$55,498,985. During our testwork over a sample of eight cash drawdowns totaling \$28,969,884, we noted that for five drawdowns related to 33 non-payroll expenditures totaling \$11,592,008, the Office of the State Superintendent of Education (OSSE) was not in compliance with the Cash Management Improvement Act (CMIA) agreement with respect to Title I. Specifically, we noted that, these five drawdowns were requested less than 7 days after the date that the expenditures were paid. The CMIA agreement with the US Department of Treasury specifies a 7-day clearance pattern for non-payroll expenditures.

Cause

OSSE performed weekly drawdowns for the Title I program in FY 12. For some non-payroll expenditures, OSSE requested funds from the Department of Education prior to the 7-day clearance patterns required in the District's CMIA agreement for program payments.

Effect

The District was non-compliant with the CMIA agreement with the US Department of Treasury.

Recommendation

We recommend that OSSES strengthen their internal controls to ensure compliance with applicable cash management requirements and the CMIA agreement.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

The Agency's fiscal Office does not agree with the findings cited above. As stated in the criteria section of the auditor's finding, a Program Agency must minimize the time lapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes. The criteria section further states that States use clearance patterns to project when funds are paid out, given a known dollar amount.

The State Agency (OSSE) sub grants the funds in question to the Local Education Agencies; these agencies are a part of the District of Columbia (in this case the State); the LEA's, a component of the State, disburse funds for both salaries and other services and later submits a request for reimbursement to OSSE, the reimbursement request is based on funds disbursed by a state agency anywhere from 15-30 days. The request for reimbursement identifies the date the LEA made the payment and is reflected in OSSE's Payment Tracking System (PTS); OSSE's review may range from 10-30 days. Based on the time frames described above, by the time OSSE approves the request for reimbursement, another state agency has disbursed the funds anywhere from 45-90 days before the approval. Hence once OSSE approves the request, the fiscal office records the expenditures in SOAR and funds are drawn within 3 days.

Because this process varies significantly from the traditional disbursement process, the OSSE AFO will work with the DC Treasurer's Office to update the CMIA.

KPMG's Response

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

<i>Finding Number</i>	2012-64
<i>Prior Year Finding Number</i>	2011-46
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010, 84.389)
<i>Federal Award Number</i>	S010A110051-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment
<i>Finding Related to ARRA</i>	Yes

Criteria

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

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

Additionally, according to 27 DCMR (27-1203.1): The head of each office performing contracting or contract administration functions shall establish files containing the records of all contractual actions pertinent to that office's responsibility.

Condition

During our testwork over procurement and suspension and debarment requirements for the Title I program, we noted that for two of 58 purchase order files tested totaling \$614,830.50 the District of Columbia Public Schools (DCPS) was not in compliance with either federal regulations or the District of Columbia’s laws regarding maintenance of contract files with respect to Title I. Specifically we noted the following:

- For two purchase order files related to payments totaling \$46,490.56, the files did not originally include a search for federal debarment. DCPS subsequently provided a note stating that the system was down on that day, but since the document was not originally in the file, we cannot verify that a search was performed during the procurement process. We were able to independently verify that the vendors were not suspended or debarred.

Cause

Controls are not operating effectively to ensure that DCPS is in compliance with the suspension and debarment compliance requirements.

Effect

Non-compliance with suspension and debarment laws and regulations can lead to DCPS conducting business with unauthorized vendors.

Recommendation

We recommend that DCPS strengthen their internal controls to ensure compliance with applicable procurement and suspension and debarment laws and regulations.

Questioned Costs

None

Related Noncompliance

None

Views of Responsible Officials

Management concurs with this finding.

<i>Finding Number</i>	2012-65
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010, 84.389)
<i>Federal Award Number</i>	S010A110051-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	Yes

Criteria

Per 2 CFR Part 170, Appendix A to Part 170—Award term:

2. Where and when to report.

i. You must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

Condition

The Office of the State Superintendent of Education (OSSE) submitted Federal Funding and Transparency Act (FFATA) reports of funding allocations to 45 public charter schools receiving Title I funds to fsrs.gov in October 2012, which was 12 months after the initial Grant Award Notifications (GANs) were signed in October 2011. As reporting of subaward obligations is required no later than one month after the subaward is made, OSSE did not timely submit the required FFATA reports in FY 2012.

Cause

OSSE’s policy was to submit the FFATA reports after the fiscal year end after the total amount of funding provided to each charter school during the year was finalized, rather than within one month after the initial allocations were made.

Effect

The District was non-compliant with FFATA reporting requirements.

Recommendation

We recommend that OSSE revise its FFATA reporting policies to ensure that the required reports are submitted within one month of the initial obligating action.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

In FY12, OSSE made significant strides in complying with FFATA reporting requirements. OSSE was led to believe that the reporting timeline was at the end of the program's fiscal year and reported accordingly. Subsequently, Program and agency staff was advised of the specified timeline and are working together to complete federal reporting requirements. Additionally, OSSE program and agency staff is working with federal program contracts to understand the differences in compliance requirements for each federal grant program. We now have an agency approach to completing FFATA reporting which includes centralizing the agency reporting to the Office of Grants Management and Compliance. OSSE believes this strategy will strengthen the current federal reporting systems. Therefore, DC OSSE management does not consider that the misunderstanding in the reporting timeline for FY12 is a breakdown of its internal controls to rise to the level of materiality.

<i>Finding Number</i>	2012-66
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title I – Grants to Local Educational Agencies (84.010, 84.389)
<i>Federal Award Number</i>	S010A110051-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Special Tests and Provisions: Participation of Private Schools
<i>Finding Related to ARRA</i>	Yes

Criteria

34 CFR 200.63:

- (a) In order to have timely and meaningful consultation, an LEA must consult with appropriate officials of private schools during the design and development of the LEA's program for eligible private school children.
- (b) At a minimum, the LEA must consult on the following:
- (1) How the LEA will identify the needs of eligible private school children.
 - (2) What services the LEA will offer to eligible private school children.
 - (3) How and when the LEA will make decisions about the delivery of services.
 - (4) How, where, and by whom the LEA will provide services to eligible private school children.
 - (5) How the LEA will assess academically the services to eligible private school children in accordance with § 200.10, and how the LEA will use the results of that assessment to improve Title I services.
 - (6) The size and scope of the equitable services that the LEA will provide to eligible private school children, and, consistent with § 200.64, the proportion of funds that the LEA will allocate for these services.
 - (7) The method or sources of data that the LEA will use under § 200.78 to determine the number of private school children from low-income families residing in participating public school attendance areas, including whether the LEA will extrapolate data if a survey is used.
 - (8) The equitable services the LEA will provide to teachers and families of participating private school children.
- (c) (1) Consultation by the LEA must—
- (i) Include meetings of the LEA and appropriate officials of the private schools; and
 - (ii) Occur before the LEA makes any decision that affects the opportunity of eligible private school children to participate in Title I programs.
- (2) The LEA must meet with officials of the private schools throughout the implementation and assessment of the Title I services.
- (d) (1) Consultation must include—
- (i) A discussion of service delivery mechanisms the LEA can use to provide equitable services to eligible private school children; and
 - (ii) A thorough consideration and analysis of the views of the officials of the private schools on the provision of services through a contract with a third-party provider.

Condition

During our testwork over participation of private school requirements for the Title I program, we noted that for three of eight private schools tested, the District of Columbia Public Schools (DCPS) was not in

compliance with federal regulations regarding participation of private schools requirements with respect to Title I. Specifically we noted the following:

- For three private schools selected, DCPS was unable to provide the school's needs assessment for the 2011-2012 school year.
- For one private school selected, DCPS was unable to provide evidence of consultation with the private school for the 2011-2012 school year.

Cause

Controls are not operating effectively to ensure that DCPS is in compliance with the special tests and provisions-participation of private school compliance requirements.

Effect

Non-compliance with the special tests and provisions-participation of private school requirements could lead to DCPS providing funding to private schools that are not eligible to receive Title I funds.

Recommendation

We recommend that DCPS strengthen their internal controls to ensure compliance with applicable the special tests and provisions-participation of private school requirements.

Questioned Costs

Not determinable

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

The program office will strengthen internal controls by doing a complete review of all non-public schools receiving Title I services and ensure that each school has a needs assessment for the current school year, and evidence of consultation.

Finding Number	2012-67
Prior Year Finding Number	N/A
Federal Program	Title I – Grants to Local Educational Agencies (84.010, 84.389)
Federal Award Number	S010A110051-11B (7/1/2011-9/30/2012)
Federal Agency	Department of Education
District Department	District of Columbia Public Schools
Compliance Requirement	Special Tests and Provisions-Highly Qualified Teachers and Paraprofessionals
Finding Related to ARRA	Yes

Criteria

34 CFR 200

§ 200.56 Definition of “highly qualified teacher.”

A teacher described in § 200.55(a) and

(b)(1) is a “highly qualified teacher” if the teacher meets the requirements in paragraph (a) and paragraph (b), (c), or (d) of this section.

(a) *In general.* (1) Except as provided in paragraph (a)(3) of this section, a teacher covered under § 200.55 must—

(i) Have obtained full State certification as a teacher, which may include certification obtained through alternative routes to certification; or

(ii)(A) Have passed the State teacher licensing examination; and

(B) Hold a license to teach in the State.

(2) A teacher meets the requirement in paragraph (a)(1) of this section if the teacher—

(i) Has fulfilled the State’s certification and licensure requirements applicable to the years of experience the teacher possesses; or

(ii) Is participating in an alternative route to certification program under which—

(A) The teacher—

(1) Receives high-quality professional development that is sustained, intensive, and classroom-focused in order to have a positive and lasting impact on classroom instruction, before and while teaching;

(2) Participates in a program of intensive supervision that consists of structured guidance and regular ongoing support for teachers or a teacher mentoring program;

(3) Assumes functions as a teacher only for a specified period of time not to exceed three years; and

(4) Demonstrates satisfactory progress toward full certification as prescribed by the State; and

(B) The State ensures, through its certification and licensure process, that the provisions in paragraph (a)(2)(ii) of this section are met.

200.57 Plans to increase teacher quality.

(a) *State plan.* (1) A State that receives funds under subpart A of this part must develop, as part of its State plan under section 1111 of the ESEA, a plan to ensure that all public elementary and secondary school teachers in the State who teach core academic subjects are highly qualified not later than the end of the 2005–2006 school year.

(2) The State’s plan must—

(i) Establish annual measurable objectives for each LEA and school that include, at a minimum, an annual increase in the percentage of—

(A) Highly qualified teachers at each LEA and school; and

- (B) Teachers who are receiving high quality professional development to enable them to become highly qualified and effective classroom teachers;
- (ii) Describe the strategies the State will use to—
 - (A) Help LEAs and schools meet the requirements in paragraph (a)(1) of this section; and
 - (B) Monitor the progress of LEAs and schools in meeting these requirements; and
- (iii) Until the SEA fully complies with paragraph (a)(1) of this section, describe the specific steps the SEA will take to—
 - (A) Ensure that Title I schools provide instruction by highly qualified teachers, including steps that the SEA will take to ensure that minority children and children from low-income families are not taught at higher rates than other children by inexperienced, unqualified, or out-of-field teachers; and
 - (B) Evaluate and publicly report the progress of the SEA with respect to these steps.

Condition

During our testwork over the special tests and provisions-highly qualified teachers and paraprofessionals requirements for the Title I program, we noted that for 15 of the 40 teachers and paraprofessionals tested, the District of Columbia Public Schools (DCPS) was not in compliance with federal regulations regarding highly qualified teacher and paraprofessional requirements with respect to Title I. DCPS was unable to provide evidence that the teachers and paraprofessionals were highly qualified or received notification that they were not highly qualified in accordance with the approved State Plan.

Cause

Controls are not operating effectively to ensure that DCPS is in compliance with the special tests and provisions-highly qualified teacher and paraprofessional compliance requirements.

Effect

Non-compliance with the special tests and provisions-highly qualified teacher and paraprofessional requirements could lead to DCPS to hire teachers and paraprofessionals who are not highly qualified. Additionally, failure to reach the goal of all teachers and paraprofessionals being considered highly qualified would disqualify DCPS from receipt of Title I funding.

Recommendation

We recommend that DCPS strengthen their internal controls to ensure compliance with the special tests and provisions-highly qualified teacher and paraprofessional laws and regulations to ensure that all teachers and paraprofessionals are highly qualified.

Questioned Costs

Not determinable

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

DCPS will implement additional training for staffing team members to ensure thorough understanding of the HQ documentation requirements. In addition, DCPS recently added tracking of these documents to the applicant tracking/hiring system to facilitate accurate record-keeping and methodology around HQ documentation. These new tracking elements will require staffing team members to certify the method they used to ensure HQ status of new employees. Lastly, we will implement additional document controls to ensure that the correct documents are on hand when needed for evidentiary purposes.

<i>Finding Number</i>	2012-68
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Education Cluster (84.027, 84.173)
<i>Federal Award Number</i>	H027A110010, H173A110006 (07/01/11 – 09/30/12)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

Per 31 CFR:

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State’s payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State’s actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District’s CMIA Agreement with the US Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns

CFDA#84.027:

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 67.00

Component: Payroll

Technique: Actual costs – modified clearance

Average Days of Clearance: 0 days

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 33.00

Component: Program payments

Technique: Actual costs – modified clearance

Average Days of Clearance: 7 days

Condition

During our testwork over a sample of 25 non-payroll and 40 payroll program expenditures totaling \$3,596,791, we noted that for 16 non-payroll expenditures totaling \$262,127 non-payroll, the Office of the State Superintendent of Education (OSSE) was not in compliance with the Cash Management Improvement Act (CMIA) agreement, also known as the Treasury State Agreement (TSA) with respect to the Special Education Cluster. Specifically, we noted that these 16 non-payroll expenditures included in the draw down were reimbursed by the Federal government less than 7 days after the date the expenditures were paid. The TSA specifies a 7-day clearance pattern for non-payroll expenditures.

Further, each District agency prepares annual reports to calculate interest due to and from the Federal government relating to cash drawdowns for major programs (known as “CMIA reports”). During our testwork over a sample of 25 non-payroll and 40 payroll expenditures, we noted that OSSE’s calculation of interest due to the Federal government on the CMIA report was not correctly calculated in accordance with the TSA. Specifically, we noted the following for the expenditures selected for testing:

- For 20 of 25 non-payroll expenditures totaling \$399,412, the clearance pattern applied to the expenditure in the CMIA report was incorrect. For these 20 non-payroll expenditures, a clearance pattern of zero days was used. As noted above, non-payroll expenditures have a 7-day clearance pattern per the TSA;
- For 5 of 40 payroll expenditures totaling \$14,809, the dates the funds were requested and deposited by the Federal government per the CMIA report did not agree to the drawdown detail by one or more days.

Cause

OSSE performed weekly drawdowns for the Special Education Cluster program in fiscal year 2012. For some non-payroll expenditures, OSSE requested funds from the Department of Education prior to the 7-day clearance patterns required in the District’s TSA for program payments. Additionally, controls over federal cash drawdowns were not operating effectively to ensure that the drawdowns were performed and interest was accurately calculated in accordance with the TSA.

Effect

The District was non-compliant with the terms of the TSA.

Recommendation

We recommend that OSSE strengthen their internal controls to ensure compliance with applicable cash management requirements and the TSA.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

The CMIA agreement is between the District Government and the Treasury, and is administered by the Office of the Chief Financial Officer for the District of Columbia (OCFO), an independent and self governing entity separate from OSSE. 31.C.F.R 205.10. Cash management is the responsibility of OCFO, and OSSE has no jurisdiction or authority to implement corrective actions on the OCFO.D.C.Code 1-204a et seq. Therefore, any findings and corrective actions assigned to OSSE will not be enforceable or changeable given the District of Columbia’s governance structure. Recognizing as such, in past years, the A133 audit attributed findings to the District Government and not to the agencies that have no ability to impose corrective actions on the OCFO’s practice and lack of compliance. Therefore, any cash management findings relating to CMIA should be assigned against the OCFO and to give a finding to OSSE deviates from precedence and assigns a finding to an agency with no authority or control of the process or the corrective actions necessary to comply.

<i>Finding Number</i>	2012-69
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Education Cluster (84.027, 84.173)
<i>Federal Award Number</i>	H027A110010, H173A110006 (07/01/11 – 09/30/12)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Period of Availability
<i>Finding Related to ARRA</i>	No

Criteria

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

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

Condition

The District Office of the State Superintendent of Education (OSSE) had a total of \$15,749,759 (\$1,400,889 in payroll and \$14,348,870 in non-payroll) expenditures for the Special Education Cluster program in fiscal year 2012. Out of a sample of 40 payroll expenditures totaling \$117,516, we noted that for one expenditure totaling \$6,903, \$3,616 of the expenditure was incurred prior to the fiscal year 2012 grant period of July 1, 2011 through September 30, 2012; however, the entire expenditure was charged to the fiscal year 2012 grant. The expenditure was for regular pay earned by the employee in October 2009 through October 2011 that was paid retroactively to the employee in fiscal year 2012.

Cause

Controls are not operating effectively to ensure that all expenditures charged to the grant are within the period of availability.

Effect

OSSE was not in compliance with period of availability requirements during fiscal year 2012.

Recommendation

We recommend that OSSE strengthen internal controls over the review and approval of expenditures prior to payment to ensure that charges are made to grants within the period of availability.

Questioned Costs

Known: \$3,616 (\$6,903 total expenditures for the pay period tested, less: \$2,770 in regular pay earned during fiscal year 2012, less: \$517 in retro pay earned from July 1, 2011 through September 30, 2011)

Related Noncompliance

Noncompliance

Views of Responsible Officials

DC OSSE concurs that this specific payroll expenditure was outside of the grant period, however this expenditure is an anomaly and is not representative of the payroll expenditure sample as it involved a rare payroll expense - retroactive pay. DC OSSE currently has controls in place to ensure the review and approval of expenditures prior to payment to ensure that charges are made to grants within the period of availability. The agency will strengthen the review process to ensure all payroll expenditures including retroactive pay are charged to grants within the period of availability

<i>Finding Number</i>	2012-70
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Education Cluster (84.027, 84.173)
<i>Federal Award Number</i>	H027A110010, H173A110006 (07/01/11 – 09/30/12)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

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

Per 2 CFR part 170, Appendix A – Award Term:

- a. Reporting of first-tier sub-awards.
 1. Applicability. Unless exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a sub-award to an entity
 2. Where and when to report.
 - i. You must report each obligating action described in paragraph a.1. of this award term to the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS).
 - ii. For sub-award information, report no later than the end of the month following the month in which the obligation was made.

Condition

The Office of the State Superintendent of Education (OSSE) made Special Education cluster funding allocations to 40 public charter school Local Education Agencies (LEA) totaling \$14,675,757 in fiscal year 2012. During our testwork over a sample of eight charter school LEAs with sub-awards over \$25,000 and total sub-awards of \$11,803,438, we noted the following:

- For one sample item with a total sub-award amount of \$42,371, the allocation to the LEA was not reported on USASpending.gov;
- For four sample items with a total sub-award amount of \$358,467, the awards were reported on USASpending.gov more than one month after the grant notification date.

Cause

OSSE is not consistently following established procedures over FFATA reporting to ensure that all sub-awards are reported in the FSRS timely.

Effect

The District’s Special Education Cluster failed to comply with FFATA reporting requirements.

Recommendation

We recommend that OSSE strengthen internal controls over the reporting of non-ARRA sub-awards to ensure that all sub-awards are reported in the FSRS no later than the end of the month following the subaward date.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

DC OSSE concurs with the finding and will report each obligating action no later than the end of the month following the month in which the obligation was made, as described in the Federal Accountability and Transparency Act Sub-award Reporting System (FSRS) compliance requirement.

<i>Finding Number</i>	2012-71
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Special Education Cluster (84.027, 84.173)
<i>Federal Award Number</i>	H027A110010, H173A110006 (07/01/11 – 09/30/12)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 20 USC 1413(a)(2) and 34 CFR sections 300.203 and 300.204, IDEA, Part B funds received by an 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 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. Allowances may be made for: (a) the voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel; (b) a decrease in the enrollment of children with disabilities; (c) the termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child has left the jurisdiction of the agency, has reached the age at which the obligation of the agency to provide a FAPE has terminated or no longer needs such program of special education; (d) the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities; or (e) the assumption of costs by the high cost fund operated by the SEA under 34 CFR section 300.704.

Condition

We noted that District of Columbia Public Schools (DCPS) management does not have adequate controls in place over Special Education Cluster Maintenance of Effort (MOE) requirements. Specifically, there was no documentation evidencing the review of the MOE calculations by an individual other than the preparer.

In addition, the MOE requirement was not met in fiscal year 2012. We noted that the DCPS Special Education Cluster had \$99,801,733 of non-federal expenditures for the education of children with disabilities in fiscal year 2012. These expenditures were \$11,384,546 less than fiscal year 2011 expenditures of \$111,186,279; as a result, the MOE requirements were not met.

Cause

Expenditures related to a one-time receipt of local contingency reserve funds caused an unusual spike in program expenditures in fiscal year 2011. DCPS excluded these expenditures from the fiscal year 2012

MOE calculation, as per the criteria listed above, allowances may be made for certain types of expenditures. However, DCPS could not identify the nature of the one-time contingency expenditures, and therefore could not demonstrate if they met the criteria for exclusion.

Effect

The DCPS Special Education Cluster is not compliant with the Maintenance of Effort requirements of 34 CFR Section 300.203 and 300.204.

Recommendation

We recommend that program management strengthen internal controls to ensure that the review of MOE calculations is appropriately documented.

Also, we recommend that program management establish policies and procedures to monitor its non-federal expenditures throughout the year to ensure that MOE requirements are met.

Questioned Costs

\$11,384,546

Questioned costs equals amount by which MOE was not met.

Related Noncompliance

Material Noncompliance

Views of Responsible Officials

At the end of FY 2011, DCPS was running a deficit. This led to the request and approval of a one-time transfer of \$35,000,000 in January 2013 from the contingency reserve to the Agency to close the gap and prevent the agency from being anti-deficient. \$12,952,308 of the requested \$35,000,000 was placed in the Special Education Department. These funds were placed in one central location to offset deficits in several organizations. \$9,227,076 should have been allocated to schools, \$136,139 to Human Capital and \$121,016 to the Chief Advisor to the Chancellor, leaving \$3,468,077 as the Special Education allocation. Had these contingency funds been properly allocated, the FY 2012 MOE for Special Education would have been 98.13%.

<i>Finding Number</i>	2012-72
<i>Prior Year Finding Number</i>	2011-49
<i>Federal Program</i>	Vocational Rehabilitation Program (84.126)
<i>Federal Award Number</i>	H126A120011-12 (10/01/11 – 09/30/12)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed and Unallowed, Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

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

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

Condition

In fiscal year 2012, the Vocational Rehabilitation program had \$2,608,158 in indirect costs. During our testing of internal controls over indirect cost calculations, we noted that although the indirect costs charged to the federal grant and reported on the Schedule of Expenditure of Federal Awards were in compliance with the grant and the indirect cost agreement, there are no documented controls in place over the review and approval of the indirect costs charged at the end of the year.

In addition, the Vocational Rehabilitation program had \$5,783,611 in payroll expenditures. During our testwork of a sample of 65 payroll expenditures totaling \$132,750, we noted that 3 out of 65 employees working exclusively on the Vocational Rehabilitation program were improperly excluded from the semiannual certifications prepared for the program.

Cause

The Vocational Rehabilitation program did not have adequate policies and procedures in place over the review and approval of indirect cost calculations to ensure accuracy of the calculations and compliance with the indirect cost agreement.

In completing the semiannual certification, the Rehabilitation Services Administration (RSA) relies on each staff person to report whether they have worked on more than one federal grant.

Effect

Without internal controls over indirect cost calculations, RSA could request reimbursement for an incorrect amount of indirect costs. In addition, RSA was not in compliance with OMB Circular A-87 with respect to semi-annual certifications.

Recommendations

We recommend that management implement policies and procedures that provide for the review and approval of indirect cost calculations to ensure accuracy of the calculation and compliance with the indirect cost agreement. In addition, we recommend that Program management strengthen internal controls to ensure that all applicable employees are included in the semiannual certifications as required by OMB Circular A-87.

Questioned Costs

Not determinable Rehabilitation program had \$5,783,611 in payroll expenditures

Related Noncompliance

Material Noncompliance (when considered in conjunction with Finding 2012-73)

Views of Responsible Officials

Management does not concur with this finding. As indicated in the "*condition*" portion of the finding the indirect cost amount was calculated and reflected correctly on the SF-425 and in compliance with the federally approved indirect cost agreement.

During budget formulation, based on the approved indirect cost rate and projected personnel expenses an indirect cost budget is established. Quarterly, during the Financial Review Process (FRP) the actual earnings are reviewed and expenditures are adjusted accordingly. This process is also completed at year end to ensure that actual earnings are recorded on the SF-425 and the expenditures recorded on the Schedule of Expenditures of Federal Awards (SEFA) does not exceed the reported earnings. If this process was not adhered to the amount charged to the indirect cost budget would be incorrect.

At the beginning of FY 2013, the agency provided training to staff and supervisors to ensure that time is properly recorded, and that supervisors are monitoring the employees' time records in D.C. Government's electronic time management system, PeopleSoft. To ensure the accuracy of the semiannual certifications as required by OMB Circular A-87, supervisors are now required to complete a quarterly report stating whether their direct reports worked on more than one federal grant.

KPMG Response

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

<i>Finding Number</i>	2012-73
<i>Prior Year Finding Number</i>	2011-50
<i>Federal Program</i>	Vocational Rehabilitation Program (84.126)
<i>Federal Award Number</i>	H126A120011-12 (10/01/11 – 09/30/12)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Department of Disability Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed or Allowable Costs/Cost Principles, Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

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

According to 29 USC Section 722 (a) (1), Eligibility and individualized plan for employment, 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.

The 29 USC Section 722 (a) (6) code also states that the VR agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless:

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

Condition

Under Program guidelines, in order for a cost to be allowable, the beneficiary must be eligible to receive Program services. We selected a sample of 65 participants, representing federal funds of \$68,970 out of a population of \$7,887,944. Based on our review, we noted that management does not have adequate controls in place over the Program's eligibility requirements as there is no management oversight of the eligibility determinations performed by the Vocational Rehabilitation (VR) specialists. In addition, we noted the following:

1. For six (6) out of 65 items tested, representing federal funds in the amount of \$1,151, determination of eligibility was not made within 60 days of date of application and no waiver letter was issued.
2. For two (2) out of 65 items tested, representing federal funds in the amount of \$5,736, the 60 day eligibility determination waiver letter was not issued within 60 days of the date of application.

3. For two (2) of 65 items tested, representing federal funds in the amount of \$664, a 60 day eligibility determination waiver letter was not signed by the client.
4. For three (5) out of 65 items tested, representing federal funds in the amount of \$0—no services were rendered to these clients—the certification of eligibility was not signed by the VR Counselor.
5. For two (2) out of 65 items tested, representing federal funds in the amount of \$5,736, the certification of eligibility was not dated.
6. For one (1) out of 65 items tested, representing federal funds in the amount of \$1,908, there was no client intake application in the client case file, therefore the timeliness of the eligibility processing could not be determined. There was however sufficient information to confirm the eligibility of the client for services.

Cause

The VR program has not developed sufficient policies and procedures to ensure compliance with allowable cost and eligibility requirements.

Effect

The District is not in compliance with allowable cost and eligibility requirements.

Recommendations

We recommend that the District implement a monitoring control to ensure that segregation of duties are provided between performance and review of eligibility determinations.

In addition, we recommend the District strengthen internal controls to ensure appropriate documentation is retained to support eligibility determinations.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

DDS RSA implemented a case management system called System 7 in 2010. This system was intended to establish electronic case records. However, the agency has maintained the paper files and electronic case files. Some of the documents that were not available for review in the audit of the paper files are in the electronic case file. The plan is to fully transition our entire case management system into System 7 and eliminate the need for paper records, the full implementation of which will be supported with policy and procedure revisions.

The agency is currently taking steps to fully implement this. In June, the agency purchased the necessary electronic signature pads. Training will be provided for all staff at the end of June in maintain fully electronic case records. One pilot unit will begin testing implementation of the fully electronic case record

in the last quarter of this fiscal year. A plan for integrating the current paper files into the electronic case files will be completed this fiscal year. The full transition to electronic case files will be completed by the middle of FY 2014.

Finding Number 2012-74
Prior Year Finding Number 2011-52
Federal Program Vocational Rehabilitation Program (84.126)
Federal Award Number H126A120011-12 (10/01/11 – 09/30/12)
Federal Agency Department of Education
District Department Department of Disability Services
Compliance Requirement Reporting
Finding Related to ARRA No

Criteria

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

Per 34 CFR 361.40(a) The State plan must assure that the designated State agency will submit reports, including reports required under sections 13, 14, and 101(a)(10) of the Act—

(1) In the form and level of detail and at the time required by the Secretary regarding applicants for and eligible individuals receiving services under this part; and

(2) In a manner that provides a complete count (other than the information obtained through sampling consistent with section 101(a)(10)(E) of the Act) of the applicants and eligible individuals to—

(i) Permit the greatest possible cross-classification of data; and

(ii) Protect the confidentiality of the identity of each individual.

(b) The designated State agency must comply with any requirements necessary to ensure the accuracy and verification of those reports

Condition

We noted deficiencies in the management review process in place to ensure accuracy of the financial information recorded on the SF-425, Federal Financial Report, and submitted to the cognizant agency. Specifically, during our testing of the SF-425 filed as of March 31, 2012, we noted that incorrect amounts were entered in the indirect expense section of the report. While the amounts were properly calculated on the supporting worksheet, the entry of the amount onto the report was erroneous and not detected by the approver. Specifically we noted the following:

Item Reported	Amount Reported	Correct Amount
Indirect Cost Base	\$ 1,736,826	\$ 3,775,708
Amount Charged	798,940	1,736,826
Federal Share	1,389,458	1,366,882

Cause

The VR program's internal controls over the preparation and review of SF-425 reports were not operating effectively.

Effect

The District is not in compliance with SF-425 reporting requirements.

Recommendations

We recommend that the VR program strengthen existing internal controls to ensure that SF-425 reports are reviewed prior to submission in order to ensure the accuracy of the reported data.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

As indicated in the "*condition*" portion of the finding, the supporting worksheet calculated the correct amount for the indirect expense. However, when recording the indirect expense an error was made on the SF-425.

In the future, the OCFO will exercise due diligence in reviewing the SF-425 prior to submission to ensure the accuracy of the reported data.

It should be further noted that subsequent quarterly reports were submitted without error.

<i>Finding Number</i>	2012-75
<i>Prior Year Finding Number</i>	2011-51
<i>Federal Program</i>	Vocational Rehabilitation Program (84.126)
<i>Federal Award Number</i>	H126A120011-12 (10/01/11 – 09/30/12)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Department of Disability Services
<i>Compliance Requirement</i>	Matching, Level of Effort, Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

For the Vocational Rehabilitation (VR) program, non-federal expenditures are subject to maintenance of effort requirements. Per 34 CFR Section 361.62, “(a) General requirements. (1) The Secretary reduces the amount otherwise payable to a State for a fiscal year by the amount by which the total expenditures from non-Federal sources under the State plan for the previous fiscal year were less than the total of those expenditures for the fiscal year 2 years prior to the previous fiscal year.

Example: For fiscal year 2001, a State’s maintenance of effort level is based on the amount of its expenditures from non-Federal sources for fiscal year 1999. Thus, if the State’s non-Federal expenditures in 2001 are less than they were in 1999, the State has maintenance of effort deficit, and the Secretary reduces the State’s allotment in 2002 by the amount of that deficit.

(2) If, at the time the Secretary makes a determination that a State has failed to meet its maintenance of effort requirements, it is too late for the Secretary to make a reduction in accordance with paragraph (a)(1) of this section, then the Secretary recovers the amount of the maintenance of effort deficit through audit disallowance.”

Condition

We noted that management does not have adequate controls in place over the Maintenance of Effort (MOE) requirements. The Program had \$7,581,257 of non-federal expenditures in fiscal year 2012. These expenditures were \$361,057 less than fiscal year 2010 expenditures of \$7,942,314; as a result, the MOE requirements were not met in fiscal year 2012.

Cause

Local funding allocated to the VR program in fiscal year 2012 was not sufficient to meet the MOE requirement.

Effect

The District is not compliant with the Maintenance of Effort requirements of 34 CFR Section 361.62.

Recommendations

We recommend that Program management establish policies and procedures and implement internal controls to ensure that non-federal expenditures are monitored throughout the year to ensure that MOE requirements are met, or that a waiver is obtained.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$361,057

Views of Responsible Officials

The Agency does concur that the Maintenance of Effort (MOE); was not met. However, the Agency does not concur with the condition and cause as explained in the NFR. The OCFO and the VR Program are aware of the Match and MOE requirements. As such, during budget formulation for each fiscal year, the amounts of local funds needed to meet those requirements are requested.

Although the Agency did not request a waiver, it replenished the local dollars through other initiatives and reprogrammings, so that the impact on services to the Program was negligible. Effective in FY 2013 the Agency will be on target to meet the MOE requirement.

KPMG Response

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

<i>Finding Number</i>	2012-76
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title II - Improving Teacher Quality (84.367)
<i>Federal Award Number</i>	S367A110008-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

31 CFR:

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District's CMIA Agreement with the US Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns

CFDA#84.367:

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 28

Component: Payroll

Technique: Actual Costs – Modified Clearance

Average Days of Clearance: 0 days

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 72

Component: Program Payments

Technique: Actual Costs – Modified Clearance

Average Days of Clearance: 7 days

Condition

In fiscal year 2012, the District of Columbia Title II program had cash drawdowns of \$15,778,151.02. During our testwork over a sample of eight cash drawdowns totaling \$3,142,682.77, we noted that for two drawdowns related to 6 non-payroll expenditures totaling \$582,997.82, the Office of the State Superintendent of Education (OSSE) was not in compliance with the Cash Management Improvement Act (CMIA) agreement with respect to Title II. Specifically, we noted that, these two drawdowns were requested less than 7 days after the date that the expenditures were paid. The CMIA agreement with the US Department of Treasury specifies a 7-day clearance pattern for non-payroll expenditures.

Cause

OSSE performed weekly drawdowns for the Title II program in FY 12. For some non-payroll expenditures, the drawdown occurred prior to the 7-day clearance patterns required in the District's CMIA agreement for program payments.

Effect

The District was non-compliant with the CMIA agreement with the US Department of Treasury.

Recommendation

We recommend that OSSE strengthen their internal controls to ensure compliance with applicable cash management requirements and the CMIA agreement.

Questioned Costs

Not determinable

Related Noncompliance

Noncompliance

Views of Responsible Officials

The Agency's fiscal Office does not agree with the findings cited above. As stated in the criteria section of the auditor's finding, a Program Agency must minimize the time lapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes. The criteria section further states that States use clearance patterns to project when funds are paid out, given a known dollar amount.

The State Agency (OSSE) sub grants the funds in question to the Local Education Agencies; these agencies are a part of the District of Columbia (in this case the State); the LEA's, a component of the State, disburse funds for both salaries and other services and later submits a request for reimbursement to OSSE, the reimbursement request is based on funds disbursed by a state agency anywhere from 15-30 days. The request for reimbursement identifies the date the LEA made the payment and is reflected in OSSE's Payment Tracking System (PTS); OSSE's review may range from 10-30 days. Based on the time frames described above, by the time OSSE approves the request for reimbursement, another state agency has disbursed the funds anywhere from 45-90 days before the approval. Hence once OSSE approves the request, the fiscal office records the expenditures in SOAR and funds are drawn within 3 days.

Because this process varies significantly from the traditional disbursement process, the OSSE AFO will work with the DC Treasurer's Office to update the CMIA.

KPMG Response

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

<i>Finding Number</i>	2012-77
<i>Prior Year Finding Number</i>	2011-54
<i>Federal Program</i>	Title II - Improving Teacher Quality (84.367)
<i>Federal Award Number</i>	S367A110008-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment
<i>Finding Related to ARRA</i>	No

Criteria

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

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

Additionally, according to 27 DCMR (27-1203.1): The head of each office performing contracting or contract administration functions shall establish files containing the records of all contractual actions pertinent to that office's responsibility.

Condition

During our testwork over procurement for the Improving Teacher Quality program, we noted that for one of 33 purchase order files tested totaling \$309,022.08, the District of Columbia Public Schools (DCPS) was not in compliance with federal regulations regarding suspension and debarment and District of Columbia's laws and regulations regarding the maintenance of contract files with respect to the Improving Teacher Quality program. Specifically we noted the following:

- For one purchase order file relating to a payment totaling \$20,477.50, the file did not originally include a search for federal debarment. DCPS subsequently provided a note stating that the system was down on that day, but since the document was not originally in the file, we cannot verify that a search was performed during the procurement process.

Cause

Controls are not operating effectively to ensure that DCPS is in compliance with the suspension and debarment compliance requirements.

Effect

Non-compliance with suspension and debarment laws and regulations can lead to DCPS conducting business with unauthorized vendors.

Recommendation

We recommend that DCPS strengthen their internal controls to ensure compliance with applicable procurement laws and regulations.

Related Noncompliance

None

Questioned Costs

Not determinable

Views of Responsible Officials

Management concurs with this finding.

<i>Finding Number</i>	2012-78
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Title II - Improving Teacher Quality (84.367)
<i>Federal Award Number</i>	S367A110008-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

Per 2 CFR Part 170, Appendix A to Part 170—Award term:

2. Where and when to report.

i. You must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

Condition

The Office of the State Superintendent of Education (OSSE) submitted Federal Funding and Transparency Act (FFATA) reports of funding allocations to 45 public charter schools receiving Title II funds to fsrs.gov in October 2012, which was 12 months after the initial Grant Award Notifications (GANs) were signed in October 2011. As reporting of subaward obligations is required no later than one month after the subaward is made, OSSE did not timely submit the required FFATA reports in FY12.

Cause

OSSE’s policy was to submit the FFATA reports after the fiscal year end after the total amount of funding provided to each charter school during the year was finalized, rather than within one month after the initial allocations were made.

Effect

The District was non-compliant with FFATA reporting requirements.

Recommendation

We recommend that OSSE revise its FFATA reporting policies to ensure that the required reports are submitted within one month of the initial obligating action.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

In FY 2012, OSSE made significant strides in complying with FFATA reporting requirements. OSSE was led to believe that the reporting timeline was at the end of the program's fiscal year and reported accordingly. Subsequently, Program and agency staff was advised of the specified timeline and are working together to complete federal reporting requirements. Additionally, OSSE program and agency staff is working with federal program contracts to understand the differences in compliance requirements for each federal grant program. We now have an agency approach to completing FFATA reporting which includes centralizing the agency reporting to the Office of Grants Management and Compliance. OSSE believes this strategy will strengthen the current federal reporting systems. Therefore, DC OSSE management does not consider that the misunderstanding in the reporting timeline for FY 2012 is a breakdown of its internal controls to rise to the level of materiality.

KPMG Response

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

<i>Finding Number</i>	2012-79
<i>Prior Year Finding Number</i>	2011-54
<i>Federal Program</i>	Title II - Improving Teacher Quality (84.367)
<i>Federal Award Number</i>	S367A110008-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Special Tests and Provisions-Participation of Private Schools
<i>Finding Related to ARRA</i>	No

Criteria

34 CFR 200.63

- (a) In order to have timely and meaningful consultation, an LEA must consult with appropriate officials of private schools during the design and development of the LEA's program for eligible private school children.
- (b) At a minimum, the LEA must consult on the following:
- (1) How the LEA will identify the needs of eligible private school children.
 - (2) What services the LEA will offer to eligible private school children.
 - (3) How and when the LEA will make decisions about the delivery of services.
 - (4) How, where, and by whom the LEA will provide services to eligible private school children.
 - (5) How the LEA will assess academically the services to eligible private school children in accordance with § 200.10, and how the LEA will use the results of that assessment to improve Title II services.
 - (6) The size and scope of the equitable services that the LEA will provide to eligible private school children, and, consistent with § 200.64, the proportion of funds that the LEA will allocate for these services.
 - (7) The method or sources of data that the LEA will use under § 200.78 to determine the number of private school children from low-income families residing in participating public school attendance areas, including whether the LEA will extrapolate data if a survey is used.
 - (8) The equitable services the LEA will provide to teachers and families of participating private school children.
- (c) (1) Consultation by the LEA must—
- (i) Include meetings of the LEA and appropriate officials of the private schools; and
 - (ii) Occur before the LEA makes any decision that affects the opportunity of eligible private school children to participate in Title II programs.
- (2) The LEA must meet with officials of the private schools throughout the implementation and assessment of the Title II services.
- (d) (1) Consultation must include—
- (i) A discussion of service delivery mechanisms the LEA can use to provide equitable services to eligible private school children; and
 - (ii) A thorough consideration and analysis of the views of the officials of the private schools on the provision of services through a contract with a third-party provider.

Condition

During our testwork over participation of private school requirements for the Improving Teacher Quality (Title II) program, we noted that for three of the eight private schools tested, the District of Columbia

Public Schools (DCPS) was not in compliance with the federal regulations regarding participation of private schools requirements with respect to Title II. Specifically we noted the following:

- For three private schools selected, DCPS was unable to provide the school's needs assessment for the 2011-2012 school year.
- For one private school selected, DCPS was unable to provide evidence of consultation with the private school for the 2011–2012 school year.

Cause

Controls are not operating effectively to ensure that DCPS is in compliance with the special tests and provisions-participation of private school compliance requirement.

Effect

Non-compliance with special tests and provisions-participation of private school requirements could lead to DCPS providing funding to private schools that are not eligible to receive Title II funds.

Recommendation

We recommend that DCPS strengthen their internal controls to ensure compliance with special tests and provisions-participation of private schools laws and regulations.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

The program office will strengthen internal controls by doing a complete review of all non-public schools receiving Title I services and ensure that each school has a needs assessment for the current school year, and evidence of consultation.

<i>Finding Number</i>	2012-80
<i>Prior Year Finding Number</i>	2011-46
<i>Federal Program</i>	Title II - Improving Teacher Quality (84.367)
<i>Federal Award Number</i>	S367A110008-11B (7/1/2011-9/30/2012)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Special Tests and Provisions-Assessment of Need
<i>Finding Related to ARRA</i>	No

Criteria

Per the *Elementary and Secondary Education Act part 2122 (b)(8)*, the Title II Assessment of Need requirements state that:

(1) IN GENERAL- To be eligible to receive a subgrant under this subpart, a local educational agency shall conduct an assessment of local needs for professional development and hiring, as identified by the local educational agency and school staff.

(2) REQUIREMENTS- Such needs assessment shall be conducted with the involvement of teachers, including teachers participating in programs under part A of title I, and shall take into account the activities that need to be conducted in order to give teachers the means, including subject matter knowledge and teaching skills, and to give principals the instructional leadership skills to help teachers, to provide students with the opportunity to meet challenging State and local student academic achievement standards. (ESEA 2122 (b)(8))

Condition

We selected a sample of 25 District of Columbia Public Schools (DCPS) schools receiving Title II – Improving Teacher Quality funds to determine whether the required assessment of need was performed that included appropriate teacher involvement. During the needs assessment process, the teachers involved in that process are documented on the final page of the assessment of need package located within the Comprehensive School Plan. During our testwork over this Title II requirement, we noted that for seven of the sample of 25 schools, DCPS was unable to provide evidence of teacher involvement in the needs assessment process. Additionally, we noted that for six of these schools DCPS could not provide evidence of review of either the assessment of need or the Comprehensive School Plan.

Cause

DCPS program management did not follow established policies and procedures with regard to the review of Assessment of Need Forms completed by DCPS schools. Additionally, DCPS program management did not comply with program compliance requirements that require evidence of teacher involvement in the Special Tests and Provisions-Assessment of Need process.

Effect

The District is not compliant with the requirements of the Title II – Improving Teacher Quality program for Special Tests and Provisions-Assessment of Needs process.

Recommendation

We recommend that DCPS follow existing policies and procedures to:

- Ensure that each school follows the established Title II requirements for the applicable schools' assessment of need.
- Verify each school's compliance with the Title II requirements through ensuring that each Needs Assessment has adequate documentation of the participation of teachers.

Related Noncompliance

Material Noncompliance

Questioned Costs

Known questioned costs are \$98,300.

Views of Responsible Officials

Within DCPS, the Office of Federal Programs and Grants in corporation with the Office of the Chief of Schools will work collaboratively with Instructional Superintendents to improve communication, support and to verify that each applicable school follows and is compliant with the established Title II requirements for assessment of need.

<i>Finding Number</i>	2012-81
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	State Fiscal Stabilization Fund – Race to the Top (84.395)
<i>Federal Award Number</i>	S395A100048 (9/24/2010-9/23/2014)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Activities Allowed or Unallowed & Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	Yes

Criteria

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

According to OMB Circular A-87 *Cost Principles for State, Local and Indian Tribe Governments*, an employee who works solely on a single cost objective (i.e., the consolidated administrative cost objective) must furnish a semi-annual certification that he/she has been engaged solely in activities. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3) and 2) An employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraphs 8.h.(4), (5), and (6) documenting the portion of time and effort dedicated to: (a) The single cost objective, and (b) Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

Condition

The District of Columbia Public Schools (DCPS) State Fiscal Stabilization Fund – Race to the Top (RTTT) program had total payroll expenditures of \$5,408,880 during fiscal year 2012. We selected a sample of 40 payroll expenditures totaling \$376,556 to test compliance with allowable costs/activities requirements. We noted that for six of the 40 expenditures tested totaling \$61,390, DCPS provided “after-the-fact” payroll time and effort certifications for the employees, which were dated after our audit request. Therefore, management did not ensure such certifications were prepared timely in fiscal year 2012.

Cause

DCPS program management did not follow established policies and procedures with regard to employee time and effort certification to ensure that adequate documentation of time and effort certifications for the State Fiscal Stabilization Fund – Race to the Top program were properly prepared in accordance with OMB Circular A-87.

Effect

Without adhering to existing internal controls to ensure employee time and effort certifications were prepared timely, DCPS was not compliant with the allowable costs/activities compliance requirements for the State Fiscal Stabilization Fund – Race to the Top program.

Recommendation

We recommend that DCPS strengthen internal controls over the preparation of the time and effort certifications for State Fiscal Stabilization Fund – Race to ensure all employees are working solely on RTTT activities, and to ensure compliance with OMB Circular A-87 requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable. However, the program had total payroll expenditures of \$4,887,535 and benefits expenditures of \$521,344 during fiscal year 2012.

Views of Responsible Officials

The Office of Federal Programs and Grants has established policies and procedures with regard to employee time and effort certification. However, consistent application of these procedures was not adhered to during the program management transition of this grant to our office. The Office of Federal Programs and Grants has since reviewed and will consistently monitor adherence as required with each program office utilizing RTTT funds.

<i>Finding Number</i>	2012-82
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	State Fiscal Stabilization Fund – Race to the Top (84.395)
<i>Federal Award Number</i>	S395A100048 (9/24/2010-9/23/2014)
<i>Federal Agency</i>	Department of Education
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

Per 31 CFR:

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State’s payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State’s actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District’s CMIA Agreement with the US Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns

CFDA#84.395:

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 2.00

Component: Payroll

Technique: Bi-weekly Actual

Average Days of Clearance: 0 days

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 98.00

Component: Non personnel services

Technique: Bi-weekly Actual

Average Days of Clearance: 7 days

Condition

During our testwork over a sample of 25 non-payroll expenditures totaling \$1,971,555, we noted that for 10 sample items totaling \$448,619, the Office of the State Superintendent of Education (OSSE) was not in compliance with the Cash Management Improvement Act (CMIA) agreement, also known as the Treasury State Agreement (TSA) with respect to State Fiscal Stabilization Fund – Race to the Top (RTTT) program. Specifically, we noted that reimbursement for these non-payroll expenditures was deposited by the Federal government less than 7 days after the date that the expenditures were paid. The TSA specifies a 7-day clearance pattern for non-payroll expenditures.

Further, each District agency prepares annual reports to calculate interest due to and from the Federal government relating to cash drawdowns for major programs (known as “CMIA reports”). During our testwork over a sample of 25 non-payroll expenditures totaling \$1,971,555, we noted that OSSE’s calculation of interest due to the Federal government on the CMIA report was not correctly calculated in accordance with the TSA. Specifically, we noted the following for the 25 expenditures selected for testing:

- For 21 of 25 expenditures totaling \$685,701, the clearance pattern applied to the expenditure in the CMIA report was incorrect. For these non-payroll expenditures, a clearance pattern of zero days was used. As noted above, non-payroll expenditures have a 7-day clearance pattern per the TSA.
- For 1 of 25 expenditures totaling \$25,390, the expenditure was not included in the CMIA report.

Cause

OSSE performed draw downs approximately weekly for the State Fiscal Stabilization Fund – Race to the Top (RTTT) program in fiscal year 2012. For some non-payroll expenditures, OSSE requested funds from the Department of Education prior to the 7-day clearance patterns required in the District’s TSA for program payments.

Additionally, controls over federal cash drawdowns were not operating effectively to ensure that the drawdowns were performed and interest was accurately calculated in accordance with the TSA. OSSE did not include all RTTT program expenditures that were requested for reimbursement during fiscal year 2012 in its interest calculations.

Effect

The District was non-compliant with the terms of the TSA.

Recommendation

We recommend that OSSE strengthen their internal controls to ensure compliance with applicable cash management requirements and the TSA.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

The Agency's fiscal Office does not agree with the findings cited above. As stated in the criteria section of the auditor's finding, a Program Agency must minimize the time lapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes. The criteria section further states that States use clearance patterns to project when funds are paid out, given a known dollar amount.

The State Agency (OSSE) sub grants the funds in question to the Local Education Agencies; these agencies are a part of the District of Columbia (in this case the State); the LEA's, a component of the State, disburse funds for both salaries and other services and later submits a request for reimbursement to OSSE, the reimbursement request is based on funds disbursed by a state agency anywhere from 15-30 days. The request for reimbursement identifies the date the LEA made the payment and is reflected in OSSE's Payment Tracking System (PTS); OSSE's review may range from 10-30 days. Based on the time frames described above, by the time OSSE approves the request for reimbursement, another state agency has disbursed the funds anywhere from 45-90 days before the approval. Hence once OSSE approves the request, the fiscal office records the expenditures in SOAR and funds are drawn within 3 days.

Because this process varies significantly from the traditional disbursement process, the OSSE AFO will work with the DC Treasurer's Office to update the CMIA.

<i>Finding Number</i>	2012-83
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families Program (93.558/93.714)
<i>Federal Award Number</i>	1202DCTANF G-1102DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	US Department of Health & Human Services
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

The OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. According to 31 CFR 215.22 (a), payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR parts 205.

The Cash Management Improvement Act (CMIA) agreement between the District of Columbia and the U.S. Department of the Treasury requires that established cash management funding techniques be followed when requesting reimbursement of Federal funds. The agreement requires reimbursements for benefit disbursements require the use of the average clearance funding technique and a clearance pattern of zero (0) days; the amount of the requests shall be for the exact amount of funds disbursed.

Condition

Based on cash management test work performed over 40 sample program expenditures totaling \$16,627,786, we noted 10 instances totaling \$5,921,839 where the District requested and collected funding earlier than the funding technique and clearance pattern specified in the CMIA agreement and 2 instances totaling \$2,312,928 where the drawdown of benefit payments were made based on monthly benefit allocation. However, the allocations were revised at year end resulting in a reduction in the allocation which had a direct impact in the amount of drawdown made earlier during the period.

The drawdown of benefit payments for the months of January and February 2012 exceeded the actual allocation by \$374,283 and \$128,016, respectively. According to the requirement of CMIA, management was required to calculate an interest liability on that portion of the drawdown exceeding the actual disbursement. Accordingly, an interest liability should have been recorded by the District on \$374,283 for 199 days (3/16/12-9/30/12); and on \$128,016 for 150 days (5/04/12-9/30/12) in the amount of \$179.67 (\$142.84 + 36.83).

Cause

Controls are not adequate to ensure compliance with the CMIA Agreement with Treasury.

Effect

The program is not in compliance with the CMIA Agreement or cash management requirements.

Recommendation

We recommend that DHS strengthen its internal controls to ensure compliance with applicable cash management requirements and the CMIA Agreement with Treasury.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding. When the funds were drawn they were reflected as cash expenditures in SOAR; however the draw occurred prior to the seven day clearance pattern as outlined in the CMIA. In the future reports will be generated to identify expenditures whose clearance pattern has met the CMIA requirement.

<i>Finding Number</i>	2012-84
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families Program (93.558, 93.714)
<i>Federal Award Number</i>	1202DCTANF G-1102DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	The Administration for Children & Families (ACF), US Department of Health (HHS)
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Reporting & Special Tests and Provisions- Penalty for Failure to Comply with Work Verification Plan
<i>Finding Related to ARRA</i>	Yes

Criteria

OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per 45 CFR § 261.61 (a) a State must support each individual's hours of participation through documentation in the case file. In accordance with §261.62, a State must describe in its Work Verification Plan the documentation it uses to verify hours of participation in each activity. According to the DC State Verification Plan, The D.C. Department of Human Services (DHS), Economic Security Administration (ESA), Monitoring Unit reviews and audits all documentation submitted by vendors reflecting the activities of recipients in TANF Employment program. This documentation includes time sheets, activity logs, school records, pay stubs, and verification of employment, work experience and on-the-job training. The Monitoring Unit completes this audit process to determine if sufficient documentation exists to substantiate reported time and attendance data, to warrant a payment to TANF Employment program vendors, and submission of countable hours for federal reporting purposes.

Per 45 CFR § 265.7 (a)-(c), “each State’s quarterly reports (the TANF Data Report, the TANF Financial Report (or Territorial Financial Report), and the SSP-MOE Data Report) must be complete and accurate and filed by the due date.

For disaggregated data report, ‘a complete and accurate report’ means that:

- (1) The reported data accurately reflect information available to the State in case records, financial records, and automated data systems, and include correction of the quarterly data by the end of the fiscal year reporting period;
- (2) The data are free from computational errors and are internally consistent (e.g., items that should add to totals do so);
- (3) The State reports data for all required elements (i.e, no data are missing);

(4)(i) The State provides data on all families; or (ii) if the State opts to use sampling, the State reports data on all families selected in a sample that meets the specification and procedures in the TANF Sampling Manual (except for families listed in error); and

(5) Where estimates are necessary (e.g., some types of assistance may require cost estimates), the State uses reasonable methods to develop these estimates.

For an aggregated data report, “a complete and accurate report” means that:

(1) The reported data accurately reflect information available to the State in case records, financial records, and automated data systems;

(2) The data are free from computational errors and are internally consistent (e.g., items that should add to totals do so);

(3) The State reports data on all applicable elements; and

(4) Monthly totals are unduplicated counts for all families (e.g., the number of families and the number of out-of-wedlock births are unduplicated counts).”

45 CFR § 265.7 (f) states that “States must maintain records to adequately support any report, in accordance with section 92.42 of this title.”

Condition

During our testwork, we noted that in 11 out of 40 cases, DHS was unable to provide supporting documentation to substantiate the reported participation hours in ACF-199, *TANF Data Report (OMB No. 0970-0309)* report as required by the DC Work Verification Plan and the Federal Regulation. Furthermore, we noted that for 2 of the 40 cases tested, the work participation hours reported as a success on the ACF-199 report did not meet the minimum weekly work participation requirement; and therefore, should not have been reported as a success.

Cause

Controls are not operating effectively over the documentation of work participation data to ensure that adequate evidence of the work participation is maintained.

Effect

If the work participation data is not substantiated, it may result in inaccurate data being reported and may lead to an incorrect ACF-199 report, incorrect work participation rate and incorrect allocation of Federal Funds to the state.

Recommendation

We recommend that management enforce existing policies and procedures and implement additional controls to ensure that adequate documentation is maintained to substantiate the work participation data reported in the ACF-199 report in accordance with the District of Columbia Work Verification Plan.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Management did not provide a written response to this finding.

<i>Finding Number</i>	2012-85
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families Program (93.558/93.714)
<i>Federal Award Number</i>	1202DCTANF G-1102DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	US Department of Health & Human Services
<i>District Department</i>	Department of Human Services (DHS)
<i>Compliance Requirement</i>	Eligibility & Special Tests and Provisions-Income Eligibility & Verification System
<i>Finding Related to ARRA</i>	Yes

Criteria

Per 45 CFR § 205.55 (a) a State plan under title I, IV-A, X, XIV, or XVI (AABD) of the Social Security Act must provide that: (a) Except as provided in paragraph (b), the State agency will request through the Income Eligibility and Verification System (IEVS) income and benefit information when making eligibility determinations.

Under 45 CFR § 205.60 (a), the State agency will maintain or supervise the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and the use of any information obtained under §205.55, with respect to individual applications denied, recipients whose benefits have been terminated, recipients whose benefits have been modified, and the dollar value of these denials, terminations and modifications. Under this requirement, the agency will keep individual records which contain pertinent facts about each applicant and recipient.

The Office of the State Superintendent of Education’s (OSSE) Memorandum of Understanding (MOU) with the Department of Human Services (DHS) states in the original terms that “DHS shall make eligibility determinations for Child Care Subsidy Program in accordance with DC Official Code section 4-401, 7 Code of Federal Regulations section 273.7, and U.S. Code section 9858.” We obtained the most recent modification to the MOU and noted that there was no mention of changing the term of who makes the eligibility determinations. However, we do note that OSSE pays DHS an annual amount each year to cover the administrative cost for the eligibility workers.

OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

Temporary Assistance for Needy Families (TANF) eligibility determinations are made by Social Service Representatives (SSRs) at DHS and eligibility workers at OSSE. During our audit we tested a sample of 73 TANF eligibility determinations, 40 eligibility determinations made by DHS, and 33 eligibility determinations made by OSSE and noted the following:

DHS Eligibility Determinations

- 3 samples where the SSR approving the case did not have the authority-to-act; and
- 1 sample where management was unable to provide evidence that the IEVS check was completed.

OSSE Eligibility Determinations

- 1 sample where management was unable to provide supporting documentation for the eligibility determination; and
- 1 sample where the eligibility determination was made by a third-party service provider, who was contracted by OSSE to assist in making the eligibility determinations. However, based on a review of the MOU, OSSE did not have the authority to contract this service out.

Additionally, we obtained the original MOU from 2008 that outlines the terms of the agreement between OSSE and DHS and noted that OSSE cannot make eligibility determinations.

Cause

Controls are not adequate to ensure that the District is in compliance with TANF IEVS and Eligibility compliance requirements. Furthermore, processes are not in place to ensure that other agencies are not making eligibility determinations in violation of the MOU terms and conditions.

Effect

Without adequate internal controls to ensure compliance with TANF IEVS and eligibility requirements, there is an increased risk that ineligible beneficiaries will receive TANF benefits.

Recommendation

We recommend that management enforce existing policies and procedures and improve its internal controls to ensure that IEVS is consistently used and adequate documentation is maintained and that the District is in compliance with the TANF IEVS and eligibility compliance requirements.

Related Noncompliance

Noncompliance

Questioned Costs

Unknown

Views of Responsible Officials

Management did not provide a written response to this finding.

<i>Finding Number</i>	2012-86
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families Program (93.558/93.714)
<i>Federal Award Number</i>	1202DCTANF G-1102DCTANF G-1002DCTANF G-0901DCTAN2
<i>Federal Agency</i>	Department of Health & Human Services
<i>District Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting & Special Tests and Provisions-Penalty for Refusal to Work
<i>Finding Related to ARRA</i>	Yes

Criteria

The OMB Circular A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 45 CFR § 261.14 (a) and (b), “If an individual refuses to engage in work required under section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish. Such reduction is governed by the provisions of 45 CFR § 261.16. The State must, at a minimum, reduce the amount of assistance otherwise payable to the family pro rata with respect to any period during the month in which the individual refuses to work. The State may impose a greater reduction, including terminating assistance.”

Per 45 CFR § 265.7 (a)-(c), “each State’s quarterly reports (the TANF Data Report, the TANF Financial Report (or Territorial Financial Report), and the SSP-MOE Data Report) must be complete and accurate and filed by the due date.

For disaggregated data report, ‘a complete and accurate report’ means that:

- (1) The reported data accurately reflect information available to the State in case records, financial records, and automated data systems, and include correction of the quarterly data by the end of the fiscal year reporting period;
- (2) The data are free from computational errors and are internally consistent (e.g., items that should add to totals do so);
- (3) The State reports data for all required elements (i.e, no data are missing);
- (4)(i) The State provides data on all families; or (ii) if the State opts to use sampling, the State reports data on all families selected in a sample that meets the specification and procedures in the TANF Sampling Manual (except for families listed in error); and

(5) Where estimates are necessary (e.g., some types of assistance may require cost estimates), the State uses reasonable methods to develop these estimates.

For an aggregated data report, “a complete and accurate report” means that:

- (1) The reported data accurately reflect information available to the State in case records, financial records, and automated data systems;
- (2) The data are free from computational errors and are internally consistent (e.g., items that should add to totals do so);
- (3) The State reports data on all applicable elements; and
- (4) Monthly totals are unduplicated counts for all families (e.g., the number of families and the number of out-of-wedlock births are unduplicated counts).”

45 CFR § 265.7 (f) states that “States must maintain records to adequately support any report, in accordance with section 92.42 of this title.”

Condition

During our testwork of 40 samples selected to test the Special Tests and Provision Penalty for Refusal to Work, we noted that 3 out of 40 samples selected for testing from the population provided were not sanctioned because of refusal to work as required by 45 CFR § 261.14 (a) and (b). This also impacts the completeness and accuracy of the ACF-199, *TANF Data Report*, where this information is reported.

Cause

Controls are not operating effectively to ensure that the TANF program applies appropriate sanctions on participants who refuse to fulfill the minimum working requirements to receive or maintain benefits.

Effect

Participants may receive full benefits, when they should have sanctions against them reducing their benefits.

Recommendation

We recommend that management enforce existing policies and procedures and implement additional controls to ensure that Penalty for Refusal to Work requirements is complied with and adequate documentation is maintained. We also recommend that TANF program personnel assess the impact of refusal to work cases on reporting in the ACF 199 and consider whether adjustments should be made to recent reports.

Related Noncompliance

Material Noncompliance

Questioned Costs

Unknown

Views of Responsible Officials

Management did not provide a response for this finding.

<i>Finding Number</i>	2012-87
<i>Prior Year Finding Number</i>	2011-60
<i>Federal Program</i>	Child Support Enforcement Program (93.563)
<i>Federal Award Number</i>	91CSEF
<i>Federal Agency</i>	Health and Human Services
<i>District Department</i>	Office of the Attorney General
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

According to 2 CFR 215.22(g) To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

Condition

The Child Support Enforcement (CSE) Program provides the District with reimbursement for costs to (1) enforce support obligations owed by non-custodial parents, (2) locate absent parents, (3) establish paternity, and (4) obtain child and spousal support. The District may enforce obligations of parents by intercepting or recovering benefit payments from programs such as Temporary Assistance to Needy Families (TANF). Under the Treasury State Agreement and 2 CFR 215.22(g), the District's CSE program personnel should apply the recovery of benefits against program costs before drawing federal funds.

During our testing of Cash Management Improvement Act (CMIA) requirements, we noted that in 2 out of 2 CMIA reports CSE did not fully apply TANF benefits and program income to offset costs prior to the draw-down of federal funds.

Cause

The District's process for applying recoveries of TANF monies and program income against CSE costs was not designed properly to fully apply recoveries against costs for a given period prior to the draw-down of federal funds. Specifically, the process lacked a mechanism for consistent communication between those personnel responsible for the recording of recoveries and program income, and those personnel responsible for drawing-down federal funds.

Effect

We identified two instances of non-compliance with the Cash Management Improvement Act and the Treasury-State Agreement in performance of the cash draw-down process. We noted that as of September 30, 2012, the CSE program had not drawn-down federal funds in excess of expenditures because (1) in each instance noted in the condition, CSE personnel corrected the error in the subsequent draw-down, and (2) because of the year-end closing procedures, CSE personnel recorded all TANF recoveries and program income prior to the draw-down. CSE incurred an interest penalty of \$247 for the year as a result of the process deficiency, however, we do not consider this to be a questioned cost.

Recommendation

We recommend that the District update its existing policies and procedures in order to align the recording of draw-downs and recoveries and program income so that recoveries and program income fully offset expenditures prior to the draw-down of federal funds.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

We concur with the finding that program income was not fully applied prior to the draw-down of federal funds. As described above, additional mechanisms were put into place to enhance communications. The process was amended again in January 2013, designating specific days of the week to record program income. The designation will ensure that staff responsible for the drawing-down of federal funds are aware of all program income and reduces/eliminates the reliance on communication. The process will be reviewed on a regular basis to ensure compliance with the CMIA requirements.

<i>Finding Number</i>	2012-88
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Community Services Block Grant (93.569)
<i>Federal Award Number</i>	G-11B1DCCOSR 2011
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting – Federal Funding Accountability and Transparency Act (FFATA)
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 170 requires obligations to be reported no later than the end of the month following the month of the obligation. For example, if a subaward is made on October 2, 2010, the subaward information must be reported by no later than November 30, 2010. Also, if a state makes a subaward under a grant or cooperative agreement to an entity other than an individual who is a natural person, the subaward is \$25,000 or more, and no exemptions apply, the state would need to report the subaward.

Condition

During our testing of the Federal Funding Accountability and Transparency Act (FFATA) Reporting requirements for the Community Services Block Grant (CSBG) Program, we noted that program management did not report all subgrant awards to the federal website, www.usaspending.gov. During FY 2012 the CSBG program awarded \$10,422,007 to their subrecipient, United Planning Organization, out of total expenditures of \$10,907,952. Of the amount awarded to UPO in FY 2012, \$452,622 or 4.3% was not reported. The reported amount was the total of all monthly payments made to UPO during the fiscal year related to the original grant award. The amount not reported was amounts expended related to additional Federal grant funds awarded to UPO for training and technical assistance.

Cause

Adequate review was not performed on the FFATA reporting to ensure that the information in the report submitted is complete and accurate. Specifically, we noted Management did not report all funds awarded to the subrecipient during the fiscal year.

Effect

The District was not fully compliant with FFATA.

Recommendations

We recommend that the District strengthen its internal policies, procedures and controls to ensure full compliance with FFATA reporting requirements in the future.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

CSBG funds in the amount of \$452,622 for the purpose of training and technical assistance was awarded appropriately to the CSBG eligible entity (sub-recipient) during the fourth quarter of FY 2012. This additional award was inadvertently omitted from the existing FFATA report for that period. The report has since been revised and the oversight corrected as of March 11, 2013. Public records of this nature have hitherto been treated as open and available for public review by this office and any interested parties would have gained access to them notwithstanding FFATA.

<i>Finding Number</i>	2012-89
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Head Start Program (93.600)
<i>Federal Award Number</i>	03CH023325 (9/1/2011-8/31/2012) 03CH023326 (9/1/12-8/31/13)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

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

Condition

The District of Columbia Public Schools (DCPS) Head Start direct grant had total non-payroll expenditures of \$3,011,262 during fiscal year 2012. Of our sample of 65 payroll expenditures totaling \$153,275, we noted that for one of the 65 expenditures tested totaling \$1,403, there was no documented review and approval of the expenditure for allowability by program management. However, we did not identify any unallowable expenditure charged to the program.

Cause

Controls are not operating effectively to ensure that Head Start Program is in compliance with the allowable cost/activities compliance requirements.

Effect

Without adequate internal controls over the review and approval of expenditures charged to federal programs, unallowable expenditures could be charged to the program without being detected and corrected.

Recommendations

We recommend that DCPS strengthen internal controls over approval of non-payroll expenditures to ensure compliance with allowability compliance requirements.

Related Noncompliance

Material Noncompliance (when considered in conjunction with 2012-90)

Questioned Costs

None

Views of Responsible Officials

The Office of Early Childhood Education continues to ensure appropriate controls are in place to review and approve expenditures charged to the Head Start grant. An internal pre-approval system was instituted and fully operational on QuickBase by the start of the FY12 fiscal year. The voucher included in this sample was for a purchase order which originated in May 2011. This purchase order did originate in PASS with appropriate officials with knowledge of allowable expenditures in the Head Start grant granting approvals. However, these officials no longer work with the agency.

<i>Finding Number</i>	2012-90
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Head Start Program (93.600)
<i>Federal Award Number</i>	03CH023325 (9/1/2011-8/31/2012) 03CH023326 (9/1/12-8/31/13)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

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

According to OMB A-87 *Cost Principles for State, Local and Indian Tribe Governments*, an employee who works solely on a single cost objective (i.e., the consolidated administrative cost objective) must furnish a semi-annual certification that he/she has been engaged solely in activities. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3) and 2) An employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraphs 8.h.(4), (5), and (6) documenting the portion of time and effort dedicated to: (a) The single cost objective, and (b) Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

Condition

The District of Columbia Public Schools (DCPS) Head Start direct grant had total payroll expenditures of \$7,202,768 during fiscal year 2012. We selected a sample of 95 payroll expenditures totaling \$138,797 to test compliance with allowable cost/activities requirements. We noted that for five of the 95 expenditures tested totaling \$8,001, DCPS did not complete a payroll time and effort certification for the employees. However, DCPS provided an after the fact certification for two of the five employees. We noted the other three expenditures totaling \$4,496 were inappropriately charged to the program.

Cause

Controls are not operating effectively to ensure that Head Start Program is in compliance with the allowable cost/activities compliance requirements.

Effect

Without adequate internal controls to ensure sufficient documentation was maintained, DCPS could not validate employees' time charged to the program and was therefore not compliant with allowable cost requirements.

Recommendations

We recommend that DCPS strengthen internal controls over the preparation and review the time and effort certifications for Head Start program employees to ensure all employees working solely on Head Start activities, and only those employees, are included in the certification.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable. However, had total payroll expenditures of \$7,202,768 during fiscal year 2012.

Views of Responsible Officials

The Office of Early Childhood Education remains diligent in reviewing FMS-485 reports and providing payroll certifications. Only those working for the Head Start program are included in the certifications which are required on a semi-annual basis and do not capture employee turnover and hiring during the interim period. When school-based employees are charged to the Head Start grant, program officials immediately notify OCFO and Office of Human Resources staff to remove the employees from the grant and request journal entries are executed to move the charges to the appropriate funding sources. Moreover, moving forward, the Office of Early Childhood Education will convert to certifying monthly staffing lists in addition to FMS-485 reports to ensure the highest level of accuracy possible.

Even though the educational employees that were charged to the grant represent allowable expenses according to the grant, their charges were not moved as requested.

Program officials concur with this finding.

<i>Finding Number</i>	2012-91
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Head Start Program (93.600)
<i>Federal Award Number</i>	03CH023325 (9/1/2011-8/31/2012) 03CH023326 (9/1/12-8/31/13)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

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

Condition

The District of Columbia Public Schools (DCPS) Head Start direct grant had program drawdowns of \$6,503,056.99 during fiscal year 2012. To test the design and implementation of the controls over the cash drawdown process at DCPS for Head Start direct funds, we selected one drawdown totaling \$609,073.68. We noted that the drawdown calculation submitted to the Department of Health and Human Services (HHS) Payment Management System (PMS) for reimbursement on 1/18/2012 was not reviewed and approved by the Accounting Officer prior to the drawdown.

Cause

DCPS did not have adequate internal controls over the review and approval of the reimbursement requests prior to the data being entered into the PMS during fiscal year 2012.

Effect

Lack of adequate internal controls over the draw calculations could result in non-compliance with the Cash Management Improvement Act (CMIA) agreement.

Recommendations

We recommend that DCPS strengthen internal controls over the preparation and approval of reimbursement requests. Additionally, we recommend that management ensures that those charged with the preparation and approval of the draw calculations are provided training on standardized processes for reimbursement requests.

Related Noncompliance

Material Noncompliance (when considered in conjunction with 2012-92)

Questioned Costs

None

Views of Responsible Officials

DCPS notes that while there was no evidence of supervisory review on the expenditure report at the time of drawdown on 1/18/12, there was evidence of review and approval at the time the transaction was posted to the general ledger less than 24 hours later on 1/19/12. The review at the time the transaction as posted is an appropriate indicator of appropriate supervisory review as any error could have been identified and rectified in the PMS system in a timely manner.

<i>Finding Number</i>	2012-92
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Head Start Program (93.600)
<i>Federal Award Number</i>	03CH023325 (9/1/2011-8/31/2012) 03CH023326 (9/1/12-8/31/13)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

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

The Cash Management Improvement Act (CMIA) agreement between the District of Columbia and the U.S. Department of the Treasury, also known as the Treasury-State Agreement (TSA), requires that established cash management funding techniques be followed when requesting reimbursement of Federal funds. The agreement requires the following for the Head Start program:

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

Condition

The District of Columbia Public School's (DCPS) Head Start program had a total of \$10,214,030 (\$7,202,768 in payroll and \$3,011,262 in non-payroll) expenditures reimbursed by the Department of Health and Human Services (HHS) during fiscal year 2012. We selected a sample of 65 non-payroll expenditures totaling \$153,275 and a sample of 95 payroll expenditures totaling \$138,797 to test compliance with the TSA. We noted that for 28 of the selected payroll expenditures, totaling \$48,720, and for 22 of the selected non-payroll expenditures, totaling \$57,821, the expenditures were requested for reimbursement prior to the 0 and 7 day clearance patterns required by the TSA, respectively. In all 50 instances, the expenditures were requested for reimbursement before the expenditures were paid by the District.

Cause

The District is not consistently following established procedures over cash management to ensure that drawdown requests are only submitted for expenditures that have been paid.

Effect

The District of Columbia's Head Start program was non-compliant with the terms of the TSA.

Recommendations

We recommend that DCPS strengthen internal controls over the preparation and approval of reimbursement requests. Additionally, we recommend that management ensures that those charged with the preparation and approval of the draw calculations are provided training on standardized processes for reimbursement requests.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS will review the drawdown policy and procedures with the necessary staff and ensure that going forward there is consistent adherence to the drawdown requirements and compliance with the CMIA clearance patterns.

<i>Finding Number</i>	2012-93
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Head Start Program (93.600)
<i>Federal Award Number</i>	03CH023325 (9/1/2011-8/31/2012) 03CH023326 (9/1/12-8/31/13)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Matching, Level of Effort, and Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

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

Per the Addendum to the Head Start direct grant agreement for the period September 1, 2011 through August 31, 2012, DCPS Head Start was required to provide the non-federal resources totaling \$18,648,742. In addition, per Appendix B2 to the Head Start Delegate Agency Agreement for the period August 1, 2011 through July 31, 2012, DCPS Head Start was required to provide \$2,365,493 in non-federal resources, for a total of \$21,014,235 in non-federal resources.

Condition

During our internal control testwork over matching requirements, we noted that DCPS' internal controls were not operating effectively to demonstrate compliance with the matching requirements for the Head Start program. The documentation used to support employee salaries paid with local funds did not include expenditures from the entire fiscal year and included expenditures totaling \$20,089,756, which did not meet the combined \$21,014,235 non-federal match for the direct and pass-through grants. DCPS was able to demonstrate that the program complied with the requirement by providing supporting documentation for an additional 20 program payroll transactions that were funded from local sources which were not initially included in the calculations.

Cause

Controls are not operating effectively to ensure that Head Start Program is in compliance with the matching compliance requirement.

Effect

Without adequate internal controls, DCPS failed to identify issues with the completeness and accuracy of the spreadsheet prepared to support compliance with the matching requirement stipulated in the grant agreement.

Recommendation

We recommend that DCPS strengthen internal controls over review and approval of matching calculations to ensure that the data used to support compliance with matching compliance requirements is complete and accurate.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Office of Early Childhood Education acknowledges that documentation must be retained by the program and fiscal offices to demonstrate that internal controls are in place to certify that the non-federal requirement has been met. The program office is developing a system to ensure all documentation is accessible at all times by both program and fiscal staff.

<i>Finding Number</i>	2012-94
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Head Start Program (93.600)
<i>Federal Award Number</i>	03CH023325 (9/1/2011-8/31/2012) 03CH023326 (9/1/12-8/31/13)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Period of Availability
<i>Finding Related to ARRA</i>	No

Criteria

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

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

Condition

The District of Columbia Public Schools (DCPS) had a total of \$10,214,030 (\$7,202,768 in payroll and \$3,011,262 in non-payroll) expenditures for the Head Start program in fiscal year 2012. Of a sample of 95 payroll expenditures tested totaling \$138,797, we noted that for six expenditures totaling \$7,656, eight days in the pay period fell after the end of the fiscal year 2012 grant period of August 31, 2012; however, the entire pay period was charged to the fiscal year 2012 grant.

Cause

Controls are not operating effectively to ensure that management is in compliance with the program's period of availability compliance requirements.

Effect

Without adequate internal controls to ensure that expenditures are charged to the grant within the period of availability, DCPS failed to comply with the grant requirement.

Recommendation

We recommend that DCPS strengthen internal controls over the review and approval of expenditures prior to payment to ensure that charges are not made to grants after the period of availability.

Related Noncompliance

Noncompliance

Questioned Costs

Known: \$4,375; Known questioned costs are calculated as follows: \$7,656 total expenditures for the pay period tested * 8 days falling outside the period of availability / 14 days in the pay period. There are no indirect costs.

Views of Responsible Officials

DCPS notes that the supporting documentation for the one quarter was not readily available due employee turnover and the misfiling of detail schedules. Documentation for each for the subsequent drawdowns was readily available and we note that there is adherence to existing document retention requirements and that filing issues have been corrected.

<i>Finding Number</i>	2012-95
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Head Start Program (93.600)
<i>Federal Award Number</i>	03CH023325 (9/1/2011-8/31/2012) 03CH023326 (9/1/12-8/31/13)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	District of Columbia Public Schools
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	No

Criteria

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

Per 2 CFR section 215.53(b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency.

Condition

We selected two quarterly SF-425 Federal Financial Reports (FFRs) totaling \$1,590,712 and \$1,759,518 respectively to test the District of Columbia Public Schools (DCPS) Head Start program's compliance with Federal Financial Reporting requirements. For the SF-425 report as of June 30, 2012, DCPS could not provide documentation from SOAR, the District's general ledger system, to support the revenue and expenditure amounts submitted in the report.

Cause

DCPS is not consistently following established procedures over reporting to ensure that adequate documentation of revenue and expenditure amounts submitted in the SF-425 reports is properly maintained.

Effect

The District's Head Start program failed to comply with federal financial reporting requirements.

Recommendation

We recommend that DCPS strengthen internal controls over the preparation and approval of FFRs, and ensure that supporting documentation from the general ledger for all amounts included in the reports is maintained for a minimum of three years. Additionally, we recommend that management ensures that those charged with the preparation and approvals of the Federal Financial Reports are provided training on standardized processes.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS will implement a formal review process over all payroll expenditures occurring towards the end of the grant period to ensure that these to ensure that costs are properly allocated and recorded in the correct period.

<i>Finding Number</i>	2012-96
<i>Prior Year Finding Number</i>	2011-03
<i>Federal Program</i>	Childcare and Development Fund Cluster (93.575)
<i>Grant Award # and Year</i>	G1201DCCCDF 2012
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Office of the State Superintendent of Education
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

Per 31 CFR:

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District's CMIA Agreement with the U.S. Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns, which follows:

CFDA#93.575:

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 8

Component: Payroll

Technique: Modified Average Clearance

Average Days of Clearance: 0 days

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 87

Component: Program Payments

Technique: Actual Costs – Actual Cost- Modified Clearance

Average Days of Clearance: 7 days

Recipient: Office of the State Superintendent of Education

% of Funds the Agency receives: 5

Component: Administrative Costs

Technique: Actual Costs – Fixed Administrative Allowances-Prorated Draw

Average Days of Clearance: 7 days

Condition

In fiscal year 2012, the District's Childcare and Development Fund Cluster (CCDF) as operated by the Office of the State Superintendent of Education (OSSE) drew down cash on a weekly basis. During our testwork over a sample of twenty five (25) non-payroll expenditures totaling \$2,061,457 we noted that for ten (10) expenditures totaling \$385,890.37, OSSE was not in compliance with the Cash Management Improvement Act (CMIA) Agreement with the U.S. Department of Treasury (the Agreement) with respect to CCDF. Specifically, we noted that, these ten expenditures were requested for reimbursement before the 7 day clearance pattern from the date the expenditures were paid set forth in the Agreement, which resulted in the funds being received from the Department of Treasury (Treasury) before the 7 day clearance pattern and in interest being due to Treasury. We further noted that from May 24th through the fiscal year end, OSSE did not complete the CMIA interest calculation spreadsheet to track the interest due to (from) the Federal Government.

Cause

OSSE performed weekly drawdowns for CCDF in FY 2012 but didn't implement adequate controls to ensure full compliance with the CMIA Agreement with Treasury. Additionally, OSSE was not aware of the requirement to calculate interest in accordance with the CMIA Agreement for all CCDF expenditures and did so only for direct program payments up until May 23, 2012 and failed to include the discretionary funds used thereafter.

Effect

The District was non-compliant with the CMIA Agreement with Treasury.

Recommendation

We recommend that OSSE strengthen its internal controls to ensure compliance with applicable cash management requirements and the CMIA Agreement with Treasury.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The CMIA agreement is between the District Government and the Treasury, and is administered by the Office of the Chief Financial Officer for the District of Columbia (OCFO), an independent and self-governing entity separate from OSSE. 31.C.F.R 205.10. Cash management is the responsibility of OCFO, and OSSE has no jurisdiction or authority to implement corrective actions on the OCFO.D.C.Code 1-204a et seq. Therefore, any findings and corrective actions assigned to OSSE will not be enforceable or changeable given the District of Columbia's governance structure. Recognizing as such, in past years, the A133 audit attributed findings to the District Government and not to the agencies that have no ability to impose corrective actions on the OCFO's practice and lack of compliance. Therefore, any cash management findings relating to CMIA should be assigned against the OCFO and to give a finding to OSSE deviates from precedence and assigns a finding to an agency with no authority or control of the process or the corrective actions necessary to comply.

KPMG Response

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

<i>Finding Number</i>	2012-97
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Childcare and Development Fund Cluster (93.575, 93.596)
<i>Grant Award # and Year</i>	G1201DCCCDF 2012
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Human Services Economic Security Administration (DHS)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

Lead Agencies must have in place procedures for documenting and verifying eligibility in accordance with the following Federal requirements, as well as the specific eligibility requirements selected by each State/Territory/Tribe in its approved Plan. Children must be under age 13 (or up to age 19, if incapable of self care or under court supervision), who reside with a family whose income does not exceed 85 percent of State/territorial/tribal median income for a family of the same size, and reside with a parent (or parents) who is working or attending a job-training or education program; or are in need of, or are receiving, protective services. Tribes may elect to use State or tribal median income (42 USC 9858n(4); 45 CFR sections 98.20(a) and 98.80(f)).

According to the Yellow Book, Appendix I, section A1.08.d., management at a State and Local government entity is responsible for “establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly recorded.”

Condition

During testing over beneficiary subsidy eligibility for the Childcare and Development Fund Cluster (CCDF) as maintained by the Department of Human Services (DHS) under the memorandum of understanding (MOU) with the Office of the State Superintendent of Education (OSSE) we noted the following:

- One (1) of sixty five (65) eligibility files was not reviewed in FY12 and was subsequently reviewed during FY13 and determined to be eligible.
- One (1) of sixty five (65) eligibility files was not reviewed in FY12 and was subsequently reviewed and determined to be ineligible resulting in \$1,420 of benefits being paid for an ineligible participant in FY 12.
- Four (4) of sixty five (65) eligibility files did not contain an application or eligibility documentation resulting in a total of \$18,448 benefits paid which we were unable to determine if they were for eligible participants.

The District of Columbia paid a total of \$72,252,008 for childcare subsidies fiscal year 2012 from local, Temporary Assistance for Needy Families (TANF) and CCDF funds. Of the total subsidy payments \$6,151,844 were funded by CCDF. Total program expenditures for CCDF were \$10,298,569.

Cause

CCDF does not have adequate internal controls in place to ensure each participant's eligibility files are reviewed timely and sufficient documentation is maintained.

Effect

Without adequate internal controls in place, CCDF was not in compliance with applicable eligibility requirements and beneficiaries could be receiving improper payments.

Recommendation

We recommend that CCDF strengthen their internal controls to ensure compliance with applicable eligibility requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$1,420

Questioned costs of \$1,420 resulted for payments being made to an ineligible participant.

Views of Responsible Officials

Management concurs with this finding.

<i>Finding Number</i>	2012-98
<i>Prior Year Finding Number</i>	2011-06
<i>Federal Program</i>	Childcare and Development Fund Cluster (93.575, 93.596)
<i>Grant Award # and Year</i>	G1201DCCCDF 2012
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Reporting -Federal Funding Accountability and Transparency Act (FFATA)
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 170 requires obligations to be reported no later than the end of the month following the month of the obligation. For example, if a subaward is made on October 2, 2010, the subaward information must be reported by no later than November 30, 2010. Also, if a state makes a subaward under a grant or cooperative agreement to an entity other than an individual who is a natural person, the subaward is \$25,000 or more, and no exemptions apply, the state would need to report the subaward.

Condition

During our testing of the Federal Funding Accountability and Transparency Act (FFATA) Reporting requirements for the District's Childcare and Development Fund Cluster (CCDF), as operated by the Office of the State Superintendent of Education (OSSE), we noted in our sample of eight (8) subawards, two (2) subawards were listed in the report to the Federal website, www.usaspending.gov, under the wrong subaward number, and one (1) subaward was not included in the report to the Federal website, www.usaspending.gov. We further noted that the obligation/action date in the report to the Federal website, www.usaspending.gov for each subaward was the liquidation date and not the action date.

Cause

There were no centralized controls in place to ensure each program manager reported the subawards completely and accurately.

Effect

The District was non-compliant with the FFATA reporting requirements.

Recommendation

We recommend that OSSE implement internal controls to ensure compliance with applicable FFATA reporting requirements and ensure that all program managers are aware of the policies.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DC OSSE does not agree with the findings cited above. OSSE contends that FFATA reporting was completed following compliance requirements. DC OSSE maintains that the inaccurate listing cited in the NFR is not a lack of centralized control, rather it was a manual data entry error. This data entry error was caused by manual data entry submission of on the FSRS.gov website. Given this data entry error on to the website, OSSE believes that it met all compliance requirements

OSSE has made efforts in good faith to comply with the FFATA reporting requirements. OSSE is in communication with Federal program staff to ensure compliance with FFATA reporting in an ongoing manner.

KPMG's Response

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

<i>Finding Number</i>	2012-99
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Childcare and Development Fund Cluster (93.575, 93.596)
<i>Grant Award # and Year</i>	G1201DCCCDF 2012
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Special Tests and Provisions-Health and Safety Requirements
<i>Finding Related to ARRA</i>	No

Criteria

Per 45 CFR section 98.41, Lead Agencies must verify that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who received subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers.

Condition

In fiscal year 2012, the District’s Childcare and Development Fund Cluster (CCDF) as operated by the Office of the State Superintendent of Education (OSSE) required providers to be reviewed annually by the Supervisory Education Services Monitor. For two (2) of fifteen (15) provider applications selected, the Supervisory Education Services Monitor did not sign off as approved. For one (1) of fifteen (15) applications selected, the Education Services Monitor approved the application but did not ensure that the provider was issued a provisional license while the provider was in the renewal process. The application was approved on 9/16/2011 and the provider’s license expired on 9/14/2011 and was not renewed until 5/22/2012 and there was no provisional license issued for the period in between.

Cause

CCDF did not have adequate internal controls to ensure each provider was reviewed and approved timely and provisional licenses are issued while providers are in the renewal process.

Effect

Without adequate internal controls to ensure compliance with special tests and provisions- health and safety requirements CCDF can be funding providers that do not meet the health and safety requirements.

Recommendation

We recommend that CCDF strengthen their internal controls to ensure compliance with applicable health and safety requirements.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The District of Columbia Office of the State Superintendent of Education (DC OSSE) acknowledged that in FY 2012 there were some variances with the providers' annual review procedures of sub-recipients in the District of Columbia Childcare and Development Fund Cluster (CCDF). The audit has uncovered lapses in the procedures which we have recognized and started to address to further strengthen the internal controls to ensure compliance with applicable health and safety requirements. Notwithstanding, DC OSSE management does not consider these isolated variances systemic of a breakdown of its internal control and does not believe they rise to the level of materiality.

<i>Finding Number</i>	2012-100
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Childcare and Development Fund Cluster (93.575, 93.596)
<i>Grant Award # and Year</i>	G1201DCCCDF 2012
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Office of the State Superintendent of Education (OSSE)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

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

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

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

Condition

In fiscal year 2012, the District’s Childcare and Development Fund Cluster (CCDF) as operated by the Office of the State Superintendent of Education (OSSE) did not maintain adequate documentation to show that management monitored subrecipients, reviewed required A-133 audits and management’s decision letter was not communicated to the subrecipient within six months after receipt of the subrecipient’s audit report regarding their audit findings. Specifically, we noted that OSSE passed through funds to 28 subrecipients in the amount of \$9,395,983. Of this \$9 million we selected a sample of 8 subrecipients with total pass through funds of \$2,592,698 and noted the following:

- For one (1) out of eight (8) subrecipients sampled, there was no documentation to evidence communication of management’s decision on audit findings in the report;
- For three (3) out of eight (8) subrecipients, the audit report was received by OSSE was not timely reviewed (reviewed within 30 days of receipt);
- For two (2) out of eight (8) subrecipients, the monthly monitoring report was not signed as evidence of management’s review of the report; and
- For one (1) out of eight (8) subrecipients, the monitoring report did not contain a narrative to detail performance goals or compliance with the grant agreement.

Cause

CCDF does not have adequate internal controls in place to ensure each subrecipient is sufficiently monitored to be compliant with the subrecipient monitoring requirements.

Effect

Without adequate internal controls in place, CCDF was non-compliant with the subrecipient monitoring requirements.

Recommendation

We recommend that CCDF strengthen their internal controls to ensure compliance with applicable subrecipient monitoring requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The District of Columbia Office of the State Superintendent of Education acknowledged that in FY 2012 there were some variances with the monitoring review procedures of sub-recipients in the District of Columbia Childcare and Development Fund Cluster (CCDF). We have improved our process to further strengthen the internal controls to ensure compliance with applicable sub-recipients' monitoring review requirements. Notwithstanding, DC OSSE management does not consider these isolated variances systemic of a breakdown of its internal controls and does not believe they rise to the level of materiality.

<i>Finding Number</i>	2012-101
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Foster Care Title IV-E Program (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and 2 Code of Federal Regulations (CFR) part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our initial review of the FY 2012 Schedule of Expenditures for Federal Award (SEFA) for the Foster Care program, we determined there was not sufficient detail for maintenance expenditures amounting to \$30,540 as follows:

- For the second lapsing quarter (second quarter of FY 2010), there was a congregate care rate change made. The amount claimed for federal expenditures was \$549,096, however, the amount reflected on the SEFA was \$567,044. This error resulted in a \$17,948 overstatement on the SEFA.
- For the third lapsing quarter (third quarter of FY 2010), there was an adjustment made for maintenance expenditures claimed. The amount claimed for federal expenditures and reflected on the SEFA was \$560,357; however, the amount which should have been claimed per a recalculation of actual expenditures was \$559,328. This error resulted in a \$1,029 overstatement of the SEFA.
- For the fourth lapsing quarter (fourth quarter of FY 2010), there was an adjustment made for the maintenance expenditures claimed. The amount claimed for federal expenditures and reflected on the SEFA was \$301,834; however, the amount which should have been claimed per a recalculation of actual expenditures was \$290,271. This error resulted in an \$11,563 overstatement on the SEFA.

Quarter	Amount Claimed	Amount Per SEFA	Differences
Q2	\$ 549,096	\$ 567,044	\$ 17,948
Q3	559,328	560,357	1,029
Q4	290,271	301,834	11,563
		Total	\$ 30,540

Cause

Management was unable to determine the cause of the differences between the expenditures entered into the System of Accounting and Reporting (SOAR) and those reported on the SEFA.

Effect

The Foster Care program was unable to support \$30,540 of expenditures listed on the SEFA and therefore, overcharged the grant for the entire amount of unsupported expenditures.

Recommendation

We recommend Management establish controls, policies and procedures that will enable an accurate reconciliation between the expenditures recorded in the SOAR financial accounting system and those reported on the SEFA.

Related Noncompliance

Noncompliance (when considered in conjunction with 2012-103)

Questioned Costs

\$30,540

Questioned costs based on amount of expenditures that was unsupported.

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of the finding. Two of the errors were the result of mathematical/transcription errors; the third resulted from a failure to update the SEFA documentation with revised claim amounts. CFSA will review – and revise as appropriate – its IV-E claim preparation protocols and procedures including the requirement of a 100% replication of CB-496 and SEFA document entries by a party other than the initial preparer.

<i>Finding Number</i>	2012-102
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Foster Care Title IV-E Program (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

31 CFR section 205.19(c), “A State must calculate and report interest liabilities on the basis of its fiscal year. A State must ensure that its interest calculations are auditable and retain a record of the calculations.”

Condition

During the test of design and implementation of internal controls over the cash management process, we noted:

- The program’s calculation on the Cash Management Improvement Act (CMIA) report for the interest liability of the District had a mathematical error.
- Per the CMIA report, the District’s interest liability was \$1.72; however, were calculated the District’s interest liability as \$791.41.
- This resulted in a difference of \$789.69.

During our testing over the Cash Management compliance requirements, we noted:

- 1 of the 3 cash draw-downs selected for testing had a mathematical error.
- The amount drawn-down was \$561,481; however, were calculated the draw-down amount of \$561,381 based on the support provided.
- This resulted in a difference of \$100.

In addition, for 17 of 25 samples the due date for the receivable were not determined in accordance with the clearance pattern per the CMIA agreement and therefore resulted in an additional miscalculation of interest.

Cause

CFSA does not have adequate internal controls in place to ensure compliance with the Cash Management requirements.

Effect

CFSA was noncompliant with Cash Management requirements for the Foster Care program.

Recommendations

We recommend the District implement a monitoring control to ensure the Child and Family Services Agency adhere to its existing policies and procedures requiring proper review of cash draw-downs submitted to the federal government.

In addition, we recommend the District implement a monitoring control to ensure the Child and Family Services Agency adhere to its existing policies and procedures requiring proper review of the Cash Management Improvement Act (CMIA) reports submitted to the federal government.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of the finding. The CFSA Accounting Supervisor has retrained the accounting staff on how to properly calculate and analyze all draw requests. An additional person has been added to verify draw request before the final review by the Accounting Supervisor.

Additional training has also been provided to the accounting staff on how to properly prepare Cash Management Improvement Agreement (CMIA) transactions. An additional person must check all data and make sure formulas are correct. The CFSA Accounting Supervisor will then sign off on the CMIA before submitting to DC Treasury.

<i>Finding Number</i>	2012-103
<i>Prior Year Finding Number</i>	2011-69
<i>Federal Program</i>	Foster Care Title IV-E Program (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Eligibility Activities Allowed or Unallowed & Allowable Costs/Cost Principles Matching, Level of Effort & Earmarking
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to 42 U.S. Code 671(a)(20)(B) and (i), “provides that the State shall - check any child abuse and neglect registry maintained by the State for information on any prospective foster or adoptive parent and on any other adult living in the home of such a prospective parent, and request any other State in which any such prospective parent or other adult has resided in the preceding 5 years, to enable the State to check any child abuse and neglect registry maintained by such other State for such information, before the prospective foster or adoptive parent may be finally approved for placement of a child.”

Furthermore, per 42 U.S. Code 675(8)(B)(ii), (iii) and (iv), “who has attained 18 years of age; who has not attained 19, 20, or 21 years of age, as the State may elect; and who is- (I) completing secondary education or a program leading to an equivalent credential; (II) enrolled in an institution which provides post-secondary or vocational education; (III) participating in a program or activity designed to promote, or remove barriers to, employment; (IV) employed for at least 80 hours per month; (V) or incapable of doing any of the activities described in subclauses (I) through (IV) due to a medical condition, which incapability is supported by regularly updated information in the case plan of the child.”

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

Furthermore, Per 45 CFR §1356.21(a), Statutory and regulatory requirements of the Federal foster care program, “To implement the foster care maintenance payments program provisions of the title IV-E plan and to be eligible to receive Federal financial participation (FFP) for foster care maintenance payments under this part, a title IV-E agency must meet the requirements of this section, 45 CFR 1356.22, 45 CFR 1356.30, and sections 472, 475(1), 475(4), 475(5), 475(6).”

45 CFR §1356.30(a) states, “the title IV-E agency must provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents.”

2 CFR section 215.23(a)(4) states, “All contributions, including cash and third party in-kind, shall be accepted as part of the recipient’s cost sharing or matching when such contribution meet the criteria: Are allowable under the applicable cost principles.”

Condition

During our eligibility control testwork, we tested 65 participants and noted the following:

- For 10 of 65 samples, the Eligibility Supervisory Technician input the initial determination (or redetermination) into FACES; however, there was no evidence of a secondary reviewer.
- For 3 of 65 samples, there was no evidence the Eligibility Supervisory Technician did not approve the initial determination (or redetermination) made by the Eligibility Staff Technician.

During our eligibility compliance testwork, we tested 65 participants, representing disbursed funds totaling \$92,286.76, and noted the following:

- For 1 of 65 samples, CFSA was unable to provide supportive documentation that the youth was working 80 hours per month. This represented federal funds in the amount of \$2,331.45.
- For 1 of 65 samples, CFSA was unable to provide the criminal records check (including fingerprint) and a child abuse and neglect registry check for the second person named on the license. This represented federal funds in the amount of \$1,194.66.

During our allowability - other than payroll maintenance compliance testing, we tested 48 participants, representing disbursed funds totaling \$66,717.27, and noted the condition listed below. In addition, during our matching compliance testing, we note matching rates are applied when an allowable expenditure is claimed on the quarterly CB-496 Report. We then selected a sample of other than payroll and payroll expenditures and tested allowability for the selected sample (since the beneficiary must be eligible for a maintenance cost to be allowable).

- For 2 of 48 samples, based on findings in the eligibility testwork, we determined that the expenditures were not allowable. This represented federal funds in the amount of \$3,526.11.

Cause

CFSA does not have adequate controls in place over the Eligibility and Activities Allowed or Unallowed/Allowable Costs requirements. In addition, CFSA does not retain the appropriate support for the eligibility determinations. Additionally, CFSA did not demonstrate compliance with the matching requirements.

Effect

CFSA is did not demonstrate compliance with the eligibility, allowability and matching compliance requirements.

Recommendations

We recommend the District adhere to existing control policies and procedures and maintain appropriate documentation.

Related Noncompliance

Noncompliance

Questioned Costs

\$3,526

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of this finding.

The eligibility exceptions include one instance of missing licensing/criminal background check and one instance of Fostering Connections non-compliance (documentation of 80 hours worked within the sampled month). CFSA will review - and revise as appropriate – its practice related to licensing documentation retention and the logic of the Fostering Connections documentation edit in FACES (CFSA’s SACWIS system) related to claiming.

<i>Finding Number</i>	2012-104
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Foster Care Title IV-E Program (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to 27 DCMR (Chapter 12):

27-1203.1 The head of each office performing contracting or contract administration functions shall establish files containing the records of all contractual actions pertinent to that office's responsibility.

27-1203.4 The contracting office file shall document the basis for the procurement and the award, the assignment of contract administration (including payment responsibilities), and any subsequent action taken by the contracting office.

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

Per 45 CFR 1356.60(c)(3), “costs of social services to remedy personal problems, behaviors, or home conditions are unallowable.”

Condition

During our procurement and suspension/debarment testing, we tested 25 contracts and noted the following:

- For 3 of 25 contracts, CFSA was unable to provide the Determination and Findings (D&F). This represented federal funds in the amount of \$24,186.59.

During our procurement and suspension/debarment compliance testing, we tested 25 contracts and noted the following:

- For 3 of 25 contracts, upon review it was unclear how the selection for the vendor was determined. Additionally, the D&F to support the initial procurement action was not provided. This represented federal funds in the amount of \$141,961.53.

- For 8 of 25 contracts, CFSA could not provide appropriate support to determine if the District confirmed the contractor was not Debarred/Suspended by the Federal government and/or included on the District's Excluded Parties List prior to the contract being executed.
- Within our initial procurement sample a grant agreement was selected. During our review of the grant agreement, we noted the statement of work for one grant was to “support urgent housing solutions and for stabilizing the youth and families within the community,” which we noted to be an unallowable cost. This represented federal funds in the amount of \$90,580.40.

Cause

CFSA does not have adequate controls in place over the Procurement and Suspension/Debarment requirements.

In addition, CFSA is not adhering to its existing policies and procedures to maintain documentation supporting procurement transactions.

Effect

CFSA did not demonstrate compliance with the procurement and suspension/debarment compliance requirements.

Recommendations

We recommend the District adhere to existing control policies and procedures and maintain appropriate documentation.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$232,542

Views of Responsible Officials

While the Child and Family Services (CFSA) concurs with the facts of the finding, there are circumstances within the identified conditions that require further explanation.

- ***For 3 of 25 contracts, CFSA was unable to provide the Determination and Findings. This represented federal funds in the amount of \$24,186.59.***

Agency Response:

2 out of the 3 contracts identified in this category were awarded by the Department of Public Works (DPW), pursuant to Mayor's Order 2000- 75, which directs DPW to establish a management program for all phases of motor vehicle equipment management from initial procurement to vehicle disposal.

The third contract is a city wide contract awarded by the Office of Contracting and Procurement (OCP) for Translation/Interpretation Language Services. In addition, there is a joint correspondence in the file from OCP and the Office of Human Rights that identifies this as a District contract.

None of these procurements were awarded by the Child and Family Services Agency (CFSA).

CFSA notes that there are no questioned costs for this finding.

- ***For 3 of 25 contracts, upon review it was unclear how the selection for the vendor was determined. Additionally, the Determination and Findings (D&F) to support the initial procurement action was not provided. This represented federal funds in the amount of \$141,961.53.***

Agency Response:

2 of the 3 contracts cited were for the same contract, CFSA-09-C-0065 with Adoptions Together for Maryland Home Licensing. This contract was awarded on October 1, 2008. As cited the contract files do not have D&Fs relating to the initial award in 2008. However, the file did have documentation that clearly shows that this was a competitive procurement. This documentation was shared with the auditor. A total of three responses were received and contracts were awarded to 2 of the 3 respondents with the lowest unit prices.

The third contract cited, CFSA-08-C-0166 is with Adoptions Together for Virginia Home Licensing. This contract was awarded on October 1, 2008. As cited the contract files do not have D&Fs relating to the initial award in 2008. However, the file did have documentation that clearly shows that this was a competitive procurement. This documentation was shared with the auditor. A total of four responses were received and one contract was awarded to the lowest unit price.

While CFSA concurs with the audit findings with the qualification listed above, CFSA asserts that these findings should not result in questioned federal costs.

CFSA's Agency cost pool for IV-E and other federal claiming contains many costs that are not (and should not be) allocated to IV-E. The Agency's federally approved Cost Allocation Plan details the methodologies by which costs are allocated to various funding sources – including local funding. Since less than 50% of all costs are allocated to IV-E, the audit does not establish that there was excessive funding to IV-E.

Finally, CFSA asserts that the questioned costs are significantly overstated even if the findings were of a nature to justify assignment of questioned costs. (CFSA IV-E claims are approximately 12% of CFSA cost pool expenditures – dramatically less than the amounts identified in the audits as “federal funds.”)

- ***For 8 of 25 contracts, CFSA could not provide appropriate support to determine if the District confirmed the contractor was not Debarred/Suspended by the Federal government and/or included on the District's Excluded Parties List prior to the contract being executed.***

Agency Response:

Of the 8 contracts cited for non-compliance with DC and Federal excluded parties list. 4 contracts were awarded by other District Agencies and not CFSA. Detailed responses are as follows:

2 of the 8 contracts cited were awarded by the DPW pursuant to Mayor's Order 2000-75.

2 were awarded by the Office of Contracting and Procurement.

4 of the 8 contracts cited for non-compliance were awarded by CFSA. The detailed responses for the four contracts awarded by CFSA are as follows:

CFSA-09-C-0065, Adoptions Together, contained evidence that the District's Excluded Parties List search was conducted. This file did not contain evidence that the Federal Excluded Parties List search was conducted. However, another contract awarded to Adoptions Together did contain evidence of a Federal Excluded Parties List search. That information was provided to the auditors.

PO 431048, QAS, Ltd., contained evidence that the District's Excluded Parties List search was conducted. It also contained a memorandum to the file indicating that the Federal Excluded Parties List database was converted into a new system during this time period and we were unable to obtain a printout as with the old system. Since then staff have been notified to obtain a screen shot as evidence that the search was conducted.

Contract Number CFSA-10-A-0014, Squeaky Clean did not contain evidence that a search of the Excluded Parties List was conducted as the policy was to conduct searches only for procurements in excess of \$100,000. CFSA changed its policy to conduct EPLS checks on all procurements in excess of \$25,000 on October 18, 2010. This contract was awarded on July 8, 2010, prior to CFSA's institution of its new policy.

Contract Number CFSA-09-A-0001 contained both the District and Federal Excluded Parties List (see attached).

- *Within our initial procurement sample a grant agreement was selected. During our review of the grant agreement, we noted the statement of work for one grant was to "support urgent housing solutions and for stabilizing the youth and families within the community," which we noted to be an unallowable cost. This represented federal funds in the amount of \$90,580.40.*

Agency Response:

The contract in questions includes activities appropriately related to IV-E foster care, guardianship, and adoption in addition to services for non IV-E clients. As such, it is appropriately allocated by the methodologies specified in CFSA's federally approved Cost Allocation Plan.

Finally, CFSA asserts that the questioned costs are significantly overstated even if the findings were of a nature to justify assignment of questioned costs. (CFSA IV-E claims are approximately 12% of CFSA cost pool expenditures – dramatically less than the amounts identified in the audit as "federal funds.")

<i>Finding Number</i>	2012-105
<i>Prior Year Finding Number</i>	2011-70
<i>Federal Program</i>	Foster Care Title IV-E Program (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Reporting
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to 2 CFR part 170.100, Purpose, “This part provides guidance to agencies to establish requirements for recipients’ reporting of information on subawards and executive total compensation, as required by the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. 109-282), as amended by section 6202 of Public Law 110-252.”

Condition

For the 1st quarter Form CB-496: Title IV-E Programs Quarterly Financial Report submitted, we noted:

- CFSA reported the incorrect amount.
- CFSA reported total local costs of \$5,887,607; however, we recalculated total local costs of \$5,545,234.
- A difference of \$342,373.

For the 4th quarter Form CB-496: Title IV-E Programs Quarterly Financial Report submitted, we noted the following mathematical errors in the Next Quarter Estimates section:

- CFSA reported total costs of \$14,660,000; however, we recalculated total costs of \$15,650,000. A difference of \$990,000.
- CFSA reported Federal Share total costs of \$8,803,750; however, we recalculated Federal Share total costs of \$9,165,000. A difference of \$361,250.

Cause

Adequate review was not performed on the financial report to ensure that the financial reports submitted to Department of Health and Human Services are complete and accurate.

Effect

The District did not comply with the reporting requirements for the Foster Care program.

Recommendations

We recommend that the District implement a monitoring control to ensure that the Child and Family Services Agency adhere to its existing policies and procedures requiring a proper review of the reports submitted.

We also recommend the District implement controls, policies and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA).

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency (CFSA) will examine, and strengthen as necessary, its current monitoring controls to ensure consistent adherence to existing policies and procedures which require both the Agency Fiscal Office and the Business Services Administration to complete a proper review of Form CB496. The review of the CB-496 will consist of an examination of the initial and any amended CB496 reports prior to submission by the Administrator of the Business Services Administration and the Agency Fiscal Officer.

<i>Finding Number</i>	2012-106
<i>Prior Year Finding Number</i>	2011-71
<i>Federal Program</i>	Foster Care Title IV-E Program (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	Yes

Criteria

As noted in the A-133 Compliance Supplement part 4-93, section III(A)(1)(e) of the A 45 CFR section 1356.60(c), “Funds may be expended for costs directly related to the administration of the program that are necessary for the proper and efficient administration of the title IV-E plan.” The literature further states that example of these costs include “eligibility determination and redetermination” and “recruitment and licensing of foster homes.”

The purpose of the CPA is to license the foster home. Although the responsibility to place the child in a foster home lies with the IV-E agency (i.e., CFSA), the role of the CPA serves to directly determine whether the foster family meets the prescribed criteria to allow CFSA to place the child in the foster home. Furthermore, CFSA does not formally review the work of the CPA, illustrating a certain level of decision making responsibility lies with the CPA. Accordingly, the CPA does play a critical role in the placement of the child since CFSA relies on the work of the CPA in order to determine whether financial assistance will be provided.

45 Code of Federal Regulations (CFR) Section 92.26, *Non-Federal audit*, requires subgrantees to obtain an independent audit in accordance with the single audit act amendments of 1996 (31 USC 7501-7507), revised OMB circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and OMB Circular A-110, *Uniform Administration Requirements for Grants and Agreements with institutions of Higher Education, Hospitals and Other Non-Profit Organizations*.

2 CFR section 176.50(c), *Award Terms for Assistance Agreements that Include Funds Under the American Recovery and Reinvestment Act of 2009, Public Law 111-5, Subpart A – Reporting and Registration Requirements Under Section 1512 of the American Recovery and Reinvestment Act of 2009* requires that recipients and their first-tier recipients maintain current registrations in the Central Contractor Registration (CCR) at all times during which they have active federal awards funded by ARRA funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number is one of the requirements for registration in the CCR.

2 CFR section 176.50(c), *Award Terms for Assistance Agreements that Include Funds Under the American Recovery and Reinvestment Act of 2009, Public Law 111-5, Subpart D – Single Audit Information for Recipients of Recovery Act Funds*, requires that recipients separately identify each subrecipient, and document at the time of the subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of ARRA funds. When funds are awarded for an existing program, the information furnished to subrecipients must distinguish the subawards of incremental ARRA funds from regular subawards.

Condition

Management incorrectly classified Child Placement Agencies (CPAs), as vendors instead of subrecipients of the Federal awards. As a result, the CPA agreements do not include the following:

- The Catalog of Federal Domestic Assistance (CFDA) title, CFDA number, award name, award number, and name of awarding agency;
- Evidence that CFSA identified American Recovery and Reinvestment Act (ARRA) awards and applicable requirements to its subrecipients and separately identified to each subrecipient, and documented at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds;
- Evidence that for awards greater than \$500,000, the contract monitoring file or the CPAs' contract terms require the CPAs to obtain an audit in accordance with OMB Circular A-133 and submitted a copy of the report to CFSA, where applicable;
- Evidence that CFSA communicated to subrecipients the requirement to register in the Central Contractor Registration (CCR), obtain a DUNS number, and maintain that information.;
- Evidence that CFSA determined that subrecipients have current Central Contractor Registrations (CCRs) prior to making subawards; and
- Evidence of performance of periodic checks to ensure that subrecipients are updating information.

Cause

Management inappropriately identified CPAs as vendors and not subrecipients, and did not require the CPAs to comply with the additional requirements of being subrecipients or the additional requirement for subrecipients receiving ARRA funding.

Effect

The program is not in compliance with subrecipient requirements for federal and ARRA funds.

Recommendations

We recommend CFSA properly classify CPAs as subrecipients and reflect the necessary requirements in the CPA contract.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Agency shared with the auditors a memorandum from the Child and Family Services Agency's Office of General Counsel, dated March 30, 2011. The memorandum and its reasoning serve as the basis for the Agency's non-concurrence with this finding from the auditor. Moreover, for the second straight year, the auditors have refused to look at the substantive information and facts provided by the Agency regarding the discrepancy between "vendor" vs. "sub-recipient". To that end, please find the following that has been excerpted from that memorandum.

"... OMB circular A-133, both subpart B §____.210 (b) (1)-(5) which describes the 5 characteristics of a "federal award" and subpart B §____.210 (c) (1) – (5) which describes the 5 characteristics of "payment for goods and services". Characteristics of the former would describe an entity receiving a "pass-through" and would be a "sub-recipient" and characteristics of the later would describe a "vendor" who is receiving monies from to provide a service.

The characteristics for a "federal award" (and thus deemed to be a "sub-recipient") come in the form of 5 statements. I will address each one in turn below:

1. Determine who is eligible to receive what Federal financial assistance.

RESPONSE:

CFSA's private agency partners (Child Placing Agencies or CPAs) bear no responsibility for this function. The CPAs under contract with CFSA to perform child placing services do not make determinations into whether the children in their care are eligible for financial assistance. CFSA maintains sole and primary responsibility for Title IV-E eligibility determinations for all DC wards.

2. Has its performance measured against whether the objectives of the Federal program are met.

RESPONSE:

Although their contracts may contain language of how they will be measured, the performance based contract language is to improve the delivery of services, not to collect Federal funds. The Child Placing Agencies' performance is measured similar to the way CFSA measures the performance of the CFSA social worker through Administrators' performance.

Title IV-E objectives are not mentioned as part of CFSA's evaluation and monitoring of the CPAs because the CPAs bear no direct responsibility for achieving them. Nor do Title IV-E objectives have any bearing on CFSA payment to CPAs. CPAs are responsible for maintaining their own networks of licensed foster family homes, but their performance on this front is evaluated against local regulatory requirements for licensure and not compliance with federal requirements.

3. Has responsibility for programmatic decision making.

RESPONSE:

CPAs do not have direct programmatic decision making ability. As part of their contractual agreements with CFSA, CPAs maintain case management responsibility for DC wards in foster care. In this capacity, they have responsibility for case plan and permanency plan development and maintenance, home visitation, service referrals and monitoring, and needs assessment for the youth on their caseloads. While the CPAs maintain these responsibilities, their case-specific work is monitored through Structured Progress Reviews

(SPR) administered by CFSA's Office of Planning Policy and Program Support. The SPR's ensure compliance with local statutory and regulatory requirements as well as CFSA agency policy and practice standards.

Even for youth assigned to CPA case managers, CFSA maintains significant programmatic responsibility for them. In addition to administering the SPR, CFSA maintains primary responsibility for all legal case activities (managed by attorneys from DC's Office of the Attorney General detailed to CFSA cases), approval of all clinical services (provided through CFSA's Office of Clinical Practice), and for approval of placements and placement changes (managed centrally through CFSA's Placement Services Administration).

4. Has responsibility for adherence to applicable Federal program compliance requirements.

RESPONSE:

The Private Agencies do not have responsibility to adhere to the Federal regulations; CFSA has the responsibility of making sure they do. The IV-E compliance rests solely on CFSA. If the CPA does not comply, CFSA does not submit claims for IV-E reimbursement.

5. Uses the Federal Funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

RESPONSE:

The private agencies provide CFSA with foster care services, the exact same as performed by the various CFSA Administrations under the CFSA Deputy Director for Agency Programs. CFSA remits payment to the CPAs for foster care services for those youth placed in CPA foster family homes. In cases where these youth are Title IV-E eligible, CFSA submits claims for IV-E federal reimbursement. In cases where the youth is not Title IV-E eligible, CFSA submits no claim and bears the full cost of the foster care payment. The payment to the CPA does not change at all.

The characteristic of "payment for goods and services" (and thus deemed to be a "vendor") come in the form of 5 statements or questions. I will address each one in turn below:

1. Provides the goods and services within normal business operations.

RESPONSE:

Like the CFSA social workers, this is what each CPA does for CFSA. The Child Placing Agencies' social workers provide direct services to children and families served by CFSA. Like CFSA social workers, the CPA social workers write court reports, appear in court, provide services and do not function in any way in which the CFSA social workers do not.

2. Provides similar goods or services to many different purchasers.

RESPONSE:

Many of the Private Agencies have other offices in Maryland, Virginia and other jurisdictions not in the District of Columbia where they serve as vendors to the Child Welfare Agency. They do not operate exclusively with CFSA.

3. Operates in a competitive environment.

RESPONSE:

Contracts for the services of the CPAs are competitively bid.

4. Provides goods or services that are ancillary to the operation of the Federal program.

RESPONSE:

The Child Placing Agencies receive CFSA money to provide services; this money is not tied directly to Federal funds as they would receive the same amount of money, as per their contract with CFSA regardless of the Federal Funds given to CFSA. Although the CPAs bear responsibility for service delivery they have no responsibility for the administration of the actual Federal program that it is tied to.

5. Is not subject to compliance requirement of the Federal program.

RESPONSE:

Although the CPAs' contracts may mention federal requirements, such language is included so CFSA may measure their success, not as a means of CFSA collecting Federal dollars. CFSA remits payment to the CPAs for foster care services for those youth placed in CPA foster family homes. In cases where these youth are Title IV-E eligible, CFSA submits claims for IV-E Federal reimbursement. In cases where the youth is not Title IV-E eligible, CFSA submits no claim and bears the full cost of the foster care payment. The payment to the CPA does not change at all."

The agency contends that the auditor failed to provide any information on how their determination was made and if the Five (5) pronged test was performed to be considered to have received a "federal award" and deemed a sub-recipient.

<i>Finding Number</i>	2012-107
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Foster Care Title IV-E Program (93.658)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency (CFSA)
<i>Compliance Requirement</i>	Special Tests and Provisions-ARRA Requirements R1-Separate Accountability for ARRA Funding R2-Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to 2 CFR Part 176.210(a), “To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 “Uniform Administrative Requirements for Grants and Agreements” and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. OMB Circular A-102 is available at <http://www.whitehouse.gov/omb/circulars/a102/a102.html>.”

According to 2 CFR Part 176.210(b), “For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. OMB Circular A-133 is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA.”

Condition

The Child and Family Services Agency (CFSA) received ARRA funds in the amount of \$4,281,966 within the Foster Care program expenditures listed in the Schedule of Expenditures of Federal Award (SEFA); however, the ARRA funds were not accounted for separately within the internal information system.

Additionally, the ARRA awards were not separately reported from the non-ARRA awards on the SEFA.

Cause

The Foster Care program does not have adequate controls in place over the Special Tests and Provisions for Awards with ARRA Funding compliance requirements.

Effect

The District is not able to demonstrate compliance with the Special Tests and Provisions for Awards with ARRA Funding requirements for the Foster Care program.

Recommendations

We recommend the District implement controls, policies and procedures to ensure compliance with the Special Tests and Provisions for Awards with ARRA Funding compliance requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of the finding. The agency will develop the appropriate controls and procedures to comply with the Special Tests and provisions for Awards with ARRA Funding requirements for the Foster Care program. Specifically, the agency will separately monitor and track all amounts claimed using the ARRA approved funding formula for Foster Care Maintenance for all prior period claims made during FY 2013.

<i>Finding Number</i>	2012-108
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Adoption Assistance Title IV-E Program (93.659)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and 2 Code of Federal Regulations (CFR) part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our initial review of the FY 2012 Schedule of Expenditures for Federal Award (SEFA) for the Adoption Assistance program, we determined there was not sufficient detail for maintenance expenditures amounting to \$8,547. The overstatement was the result of four clients being erroneously claimed twice in the third lapsing quarter (third quarter in FY 2010). The error resulted in the entire overstatement in the amount of \$8,547.

Quarter	Amount Claimed	Amount Per SEFA	Total Overstatement
Q3	\$ 36,891	\$ 45,438	\$ 8,547

Cause

Management determined the cause of the differences between the expenditures entered into the System of Accounting and Reporting (SOAR) and those reported on the SEFA was due to four clients being claimed twice in the same quarter.

Effect

The Adoption Assistance program was unable to support \$8,547 of expenditures listed on the SEFA and therefore, overcharged the grant for the entire amount of unsupported expenditures.

Recommendations

We recommend Management establish controls, policies and procedures that will enable an accurate reconciliation between the expenditures recorded in the SOAR financial accounting system and those reported on the SEFA.

Related Noncompliance

Material Noncompliance (when considered in conjunction with 2012-110)

Questioned Costs

\$8,547

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of the finding. As part of a larger effort to review – and revise as appropriate – protocols and procedures for IV-E claim preparation, CFSA will strengthen its process for verifying that manual Adoption Eligibility determinations are entered into the automated system in a timely manner (this circumstance was caused by late entries into the system).

<i>Finding Number</i>	2012-109
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Adoption Assistance Title IV-E Program (93.659)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

31 CFR section 205.19(c), “A State must calculate and report interest liabilities on the basis of its fiscal year. A State must ensure that its interest calculations are auditable and retain a record of the calculations.”

Condition

During our testing over the Cash Management compliance requirements, we noted:

- 1 of the 3 cash draw-downs selected for testing had a mathematical error.
- The amount drawn-down was \$215,758; however, we recalculated the draw-down amount of \$104,819 based on the support provided.
- This resulted in a difference of \$110,939.

In addition, for 20 of 25 samples the due date for the receivable were not determined in accordance with the clearance pattern per the CMIA agreement and therefore resulted in an additional miscalculation of interest.

Cause

The errors were a result of clerical errors and were not caught as a result of inadequate review.

Effect

CFSA was noncompliant with the Cash Management requirements for the Adoption Assistance program.

Recommendations

We recommend the District implement a monitoring control to ensure the Child and Family Services Agency adhere to its existing policies and procedures requiring proper review of cash draw-downs submitted to the federal government.

In addition, we recommend the District implement a monitoring control to ensure the Child and Family Services Agency adhere to its existing policies and procedures requiring proper review of Cash Management Improvement Act (CMIA) reports submitted to the federal government.

Related Noncompliance

Noncompliance

Questioned Costs

\$110,939

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of the finding. The CFSA Accounting Supervisor has retrained the accounting staff on how to properly calculate and analyze all draw requests. An additional person has been added to verify draw request before the final review by the Accounting Supervisor.

Additional training has also been provided to the accounting staff on how to properly prepare Cash Management Improvement Agreement (CMIA) transactions. An additional person must check all data and make sure formulas are correct. The CFSA Accounting Supervisor will then sign off on the CMIA before submitting to DC Treasury.

It is noted that the facts of finding pertained to one draw down transaction and thus, the likely questioned costs are overstated.

<i>Finding Number</i>	2012-110
<i>Prior Year Finding Number</i>	2011-72
<i>Federal Program</i>	Adoption Assistance Title IV-E Program (93.659)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirements</i>	Eligibility Activities Allowed or Unallowed and Allowable Costs/Costs Principles Matching, Level of Effort & Earmarking
<i>Finding Related to ARRA</i>	Yes

Criteria

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

In order for a State to be eligible for maintenance payments, the State shall, according to 42 U.S. Code 673(a)(2)(A)(i)(I)(I)(aa)(AA), “*place in foster care in accordance with a voluntary placement agreement with respect to which Federal payments are provided under section 674 of this title (or section 603 of this title, as such section was in effect on July 16, 1996), or in accordance with a judicial determination to the effect that continuation in the home would be contrary to the welfare of the child.*”

Per 42 USC 673(a)(4)(A) , “*a payment may not be made pursuant to this section to parents or relative guardians with respect to a child—who has not attained 18 years of age, if the State determines that the parents or relative guardians, as the case may be, are no longer legally responsible for the support of the child; or if the State determines that the child is no longer receiving any support from the parents or relative guardians, as the case may be.*”

In addition, per 42 USC 673(a)(7)(A)(ii), “*a payment may not be made to parent for an applicable child who is not a citizen or resident of the United States.*”

Per 42 USC 673(c)(1)(A), “*the child shall not be considered a child with special needs unless--the State has determined that the child cannot or should not be returned to the home of his parents.*”

Additionally, per 42 USC 673(c)(1)(B), “*the child shall not be considered a child with special needs unless-- except where it would be against the best interests of the child because of such factors as the existence of significant emotional ties with prospective adoptive parents while in the care of such parents as a foster child, a reasonable, but unsuccessful, effort has been made to place the child with appropriate adoptive parents without providing adoption assistance.*”

Per 45 CFR section 1356.41(a), “*The amount of the payment made for nonrecurring expenses of adoption shall be determined through agreement between the adopting parent(s) and the State agency administering the program. The agreement must indicate the nature and amount of the nonrecurring expenses to be paid.*”

The OMB Circular A-87 Basis Guidelines states, “*factors affecting allowability of costs - to be allowable under Federal awards, costs must meet the following general criteria: be necessary and reasonable for proper and efficient performance and administration of Federal awards; be allocable to Federal awards under the provisions of this Circular; be authorized or not prohibited under State or local laws or regulations; conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items; conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items; be accorded consistent treatment - a cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost; except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles; not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation; be the net of all applicable credits; be adequately documented.*”

2 CFR section 215.23(a)(4) states, “All contributions, including cash and third party in-kind, shall be accepted as part of the recipient’s cost sharing or matching when such contribution meet the criteria: Are allowable under the applicable cost principles.”

Condition

During our eligibility compliance testing, we tested 65 participants, representing disbursed funds totaling \$46,496, and noted the following:

- For 3 of 65 samples, Child and Family Services Agency (CFSA) was unable to provide documentation the child was available for adoption by being in the custody of a public or private child placement agency by way of a voluntary placement, voluntary relinquishment or a court-ordered removal with a judicial determination that remaining at home would be contrary to the child’s welfare. This represented federal funds in the amount of \$1,593.87.
- For 1 of 65 samples, the adoptive parent(s) received a subsidy payment for the service period March 2012, however, the client was deceased as of September 30, 2009. This represented federal funds in the amount of \$758.63.
- For 2 of 65 samples, CFSA was unable to provide documentation indicating the child was a U.S. citizen. This represented federal funds in the amount of \$770.35.
- For 1 of 65 samples, CFSA was unable to provide documentation the child was someone who could not and/or should not be returned to the home of his or her parents. This represented federal funds in the amount of \$743.44.
- For 5 of 65 samples, CFSA was unable to provide documentation indicating reasonable efforts were made by the agency to place the child with an adoptive parent(s) without a subsidy. This represented federal funds in the amount of \$2,850.23.
- For 1 of 65 samples, the approved subsidy agreement did not include the non-recurring adoption expenses up to \$2,000 for legal fees, filing costs, placement fees and/or other expenses incurred in the adoption for the child. This represented federal funds in the amount of \$770.35.

During our allowability - other than payroll maintenance compliance testing, we tested 48 participants, representing disbursed funds totaling \$44,392.90, and noted the condition listed below. In addition, during our matching compliance testing, we noted matching rates are applied when an allowable expenditure is claimed on the quarterly CB-496 Report. We then selected a sample of other than payroll and payroll expenditures and tested allowability for the selected sample (since the beneficiary must be eligible for a maintenance cost to be allowable).

- For 10 of 62 samples, we were unable to determine whether the expenditure was allowable, due to findings identified in the eligibility testing. Therefore, we determined that the expenditures were not allowable. This represented federal funds in the amount of \$7,486.87.

Cause

CFSA does not retain the appropriate support for the eligibility determinations. Additionally, CFSA is not able to demonstrate compliance with the matching requirements.

Effect

CFSA is not in compliance with the eligibility, allowability and matching compliance requirements.

Recommendations

We recommend the District maintain appropriate documentation.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$7,487

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concur with the facts of the finding. To ameliorate the issues, CFSA will ensure that all court documentation include the requisite language needed to support the Agency's decision that the child be remove from the home. Since December 2005, the adoption subsidy agreement includes the requisite language that indicates that reasonable efforts were made to place the child without an adoption subsidy.

The matter of the alleged fraud perpetrated by an adopted parent will be investigated by the District's Office of Inspector General.

In 2008, the Agency implemented a practice to complete a review of each child receiving an adoption subsidy once each calendar year. Through the review, the Agency obtains current information about the child receiving a subsidy (demographic information, report cards verifying school status and documents confirming medical coverage and/or services for the child). The Agency uses the review to determine the following: whether the child has any post-permanency needs to be addressed; whether the child continues

to meet the eligibility criteria to receive an adoption subsidy; whether there are any factors that might render the child ineligible to receive the subsidy and lead to the termination of the subsidy; and, whether there are any other factors that may necessitate a change in the adoption subsidy. As per federal regulation, when the Agency determines that an adoptive parent is no longer legally responsible for the child or providing any financial support to the child, the subsidy monies being paid to an adoptive parent are terminated

Current program practices require that each child's record contain a copy of the birth certificate.

CFSA has also put into practice a quality control mechanism to review existing records to ensure that each record contains requisite IV-E documentation.

<i>Finding Number</i>	2012-111
<i>Prior Year Finding Number</i>	2011-72
<i>Federal Program</i>	Adoption Assistance Title IV-E Program (93.659)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Child and Family Services Agency
<i>Compliance Requirement</i>	Special Test & Provisions—ARRA Requirements R1 - Separate Accountability for ARRA Funding R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form
<i>Finding Related to ARRA</i>	Yes

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to 2 CFR Part 176.210(a), “To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 “Uniform Administrative Requirements for Grants and Agreements” and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. OMB Circular A-102 is available at <http://www.whitehouse.gov/omb/circulars/a102/a102.html>.”

According to 2 CFR Part 176.210(b), “For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. OMB Circular A-133 is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA.”

Condition

The Child and Family Services Agency (CFSA) received ARRA funds in the amount of \$167,400 within the Adoption Assistance program expenditures listed in the Schedule of Expenditures of Federal Award (SEFA); however, the ARRA funds were not accounted for separately within the internal information system.

Additionally, the ARRA awards were not separately reported from the non-ARRA awards on the SEFA.

Cause

The Adoption Assistance program does not have adequate controls in place over the Special Tests and Provisions for Awards with ARRA Funding compliance requirements.

Effect

The District is not able to demonstrate compliance with the Special Tests and Provisions for Awards with ARRA Funding requirements for the Adoption Assistance program.

Recommendations

We recommend the District implement controls, policies and procedures to ensure compliance with the Special Tests and Provisions for Awards with ARRA Funding compliance requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Child and Family Services Agency (CFSA) concurs with the facts of the finding. The agency will develop the appropriate controls and procedures to comply with the Special Tests and provisions for Awards with ARRA Funding requirements for the Adoption Assistance program. Specifically, the agency will separately monitor and track all amounts claimed using the ARRA approved funding formula for Adoption Assistance Maintenance for all prior period claims made during FY 2013.

<i>Finding Number</i>	2012-112
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Children’s Health Insurance Program (93.767)
<i>Federal Award Number</i>	1205DC5021
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health Care Finance (DHCF)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...*”

Medicaid State Plan: Citation 42 CFR 431.17AT-79-29, Section: 4.7 Maintenance of Records The Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of medical assistance, and administrative costs and statistical, fiscal and other records necessary for reporting and accountability, and retains these records in accordance with Federal requirements. All requirements of 42 CFR 431.17 are met.

ESA Policy Manual Section: STANDARDS FOR CASE RECORD DOCUMENTATION 1.3 All eligibility criteria and clarifying information are documented on the Record of Case Action, Form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case by reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipients, the record should include the dates pay is received and how often the recipient is paid. When the recipient’s statement is the best available source, the record should include both the applicant/recipient’s and the agency's efforts to verify the information. All address changes should be documented.

Condition

During testing over beneficiary eligibility for the Children’s Health Insurance Program (CHIP), we selected a sample of 65 payments from the total population of FY 2012 CHIP claims payments. We then tested compliance with CHIP eligibility requirements for the beneficiaries related to those 65 claims payments. Within our sample of 65, we noted that the Economic Security Administration (ESA) was unable to provide sufficient documentation to support the eligibility determination for 21 samples. We determined that the District paid \$33,575 in federal awards during FY2012 for claims related to those 21 CHIP beneficiaries. This amount represents 24% of the total amounts paid by the District in FY 2012 for claims related to the 65 CHIP beneficiaries sampled of \$138,509. The District paid a total of \$13,610,665 in federal awards to CHIP beneficiaries in FY 2012.

Cause

The District did not consistently adhere to its established policies and procedures requiring it to maintain documentation supporting participant eligibility.

Effect

The District is not in full compliance with its policies and with Federal program compliance requirements surrounding records maintenance. Further, ineligible CHIP beneficiaries may receive benefits under the CHIP grant and the District may make payment on behalf of those beneficiaries.

Recommendations

We recommend that the District follow their policies and procedures for maintaining case record documentation and improve its controls over monitoring compliance. We observed that the District is in the process of scanning all beneficiary files into the Document Imaging Management System (DIMS) to allow for the files to be available electronically.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$33,575

Views of Responsible Officials

DHS agrees with the auditor's findings and recommendation.

<i>Finding Number</i>	2012-113
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Medicaid Cluster (93.775, 93.777, 93.778); Children’s Health Insurance Program (93.767); Temporary Assistance for Needy Families (93.558); Supplemental Nutrition Assistance Program Cluster (10.551, 10.561)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Economic Security Administration (ESA)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

Per the Committee of Sponsoring Organizations (COSO) *Volume II Guidance on Monitoring Internal Control Systems*, internal controls “ensure that necessary actions are taken to address risks to achieving objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and *segregation of duties*.”

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

Personnel at the Economic Security Administration (ESA) are responsible for determining beneficiary eligibility for the Medicaid, CHIP, TANF, and SNAP programs. In order to determine eligibility, the ESA Social Service Representatives (SSRs) record personal information from potential beneficiaries into the Automated Client Eligibility Determination System (ACEDS). Once a beneficiary is determined to be eligible, the SSRs are responsible for recording any further case actions – e.g. updates of personal information, termination of benefits, renewal of benefits. Case actions including initial determination of eligibility can be recorded into ACEDS by all SSRs, however only SSRs with “authority to act” can record actions without supervisory review and approval.

During our tests of design and implementation of internal controls over the eligibility process we inquired about SSRs with and without the authority to act. We noted a lack of segregation of duties as SSRs with authority to act have the ability to both record and authorize beneficiary case actions in ACEDS.

Cause

The District’s Economic Security Administration (ESA) does not have adequate segregation of duties in place for those SSRs with the ability to authorize and record beneficiary cases (i.e. those with “authority to act”).

Effect

Beneficiary cases recorded and authorized by an SSR with the authority to act could be erroneous and /or inappropriate.

Recommendations

We recommend that ESA strengthen its current policies and procedures to require the SSR duties of recording and authorizing to be segregated. As an alternative, we recommend that ESA strengthen its current monitoring controls to adequately address that SSRs can record changes into ACEDS without supervisory review and approval.

Related Noncompliance

Material Noncompliance for Medicaid (when considered in conjunction with 2012-114 and 118)

Material Noncompliance for CHIP (when considered in conjunction with findings 2012-112 and 2012-114)

Noncompliance for TANF (when considered in conjunctions with finding 2012-85)

None for SNAP

Questioned Costs

None

Views of Responsible Officials

Given the local and federal policies and regulations relative to timeliness in processing actions for customer benefits, the increasing caseloads and the limited number of supervisory SSRs to authorize actions, acting upon the recommendation that SSR duties of recording and authorizing be segregated is not feasible and would negatively impact timely actions, at this time.

A requirement of the SSR position includes the expectation that the SSR would exercise judgment and determine eligibility as necessary for the performance of their duties. The “authority to act” designation is formally bestowed based on an employee’s performance. Consequently, an SSR acquires the “Authority to Act” upon demonstrating ability to consistently and correctly determine eligibility and process customer benefits.

An SSR’s ability to continue to exercise proper judgment in determining eligibility and processing benefits is constantly monitored and reflected in their annual Performance Evaluations. If an SSR displays diminished competency in their ability to “Act”, that responsibility is summarily taken away. However, with respect to the recommendation that ESA strengthen its current monitoring controls, ESA will reassess its current practice and consider developing additional controls to designate and monitor an SSRs “Authority to Act.”

Additionally, DHS ESA utilizes a supervisory case review process that has been in place since 2010. This monitoring process, which entails three levels of review by supervisors and managers, facilitates the assurance of program accuracy and adherence to policies and procedures by SSRs, including those that

have authority to act. This process was established October 1, 2010 and has been recently updated to include sample sizes and criteria for TANF reviews.

Finally, DHS has developed a workgroup consisting of ESA management, union leadership, and human resource staff to analyze and develop a plan for allocating social service representative and social service assistance duties. Once complete, this plan will incorporate sufficient management controls and preserve program integrity. DHS plans to finalize the plan and pilot the first phase in October 1, 2013.

Finding Number	2012-114
Prior Year Finding Number	N/A
Federal Program	Medicaid Cluster (93.775, 93.777, 93.778); Children’s Health Insurance Program (93.767)
Federal Award Number	Various
Federal Agency	Department of Health and Human Services (HHS)
District Department	Economic Security Administration (ESA)
Compliance Requirement	Eligibility
Finding Related to ARRA	No

Criteria

Per the Committee of Sponsoring Organizations (COSO) *Volume II Guidance on Monitoring Internal Control Systems*, internal controls “ensure that necessary actions are taken to address risks to achieving objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, *reviews of operating performance*, security of assets, and segregation of duties.”

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During our tests of operating effectiveness of internal controls over the interface between the Automated Client Eligibility Determination System (ACEDS) and the Medicaid Management Information System (MMIS), we noted that the following two (2) out of forty (40) interface issues were not corrected in a timely manner:

#	Case Number	Action/Change Needed	Correction Memo Date	Date Corrected
1	293368	21yr old child is too old for AR Medicaid	1/13/2012	12/6/2012
20	170205	Child's eligibility code is 720 and needs to be changed.	3/19/2012	8/30/2012

Additionally, we noted that Management was not able to provide physical copies for two (2) out of three (3) monthly Medicaid Program Error Memos to evidence review.

Cause

Management does not have adequate policies and procedures in place to support the timely review and resolution of exceptions identified in the ACEDS to MMIS interface. Management did not follow up on whether the exceptions were corrected by program analysts in timely manner. Additionally, DHS management does not retain the documentation to support its review of the Medicaid Program Error Memos.

Effect

Failure to review and resolve exceptions from the ACEDS and MMIS interface could result in incorrect Medicaid and / or CHIP benefits processing.

Recommendations

We recommend that DHS implement formal policies and procedures that include processes for tracking and resolving exceptions identified through the interface.

Related Noncompliance

Material Noncompliance for CHIP (when considered in conjunction with Findings 2012-112 and 2012-113)

Material Noncompliance for Medicaid (when considered in conjunction with Findings 2012-113 and 2012-118)

Questioned Costs

None

Views of Responsible Officials

Management agrees that two (2) out of 40 case actions were not completed timely. Although all of the hard copies of memorandums were not located, evidence that controls were in place was supported by the confirmation of ACEDS action history (ACHI). In addition, printouts of the ACHI for each of the 40 cases were provided to the auditors.

DHS, ESA follows a consistent process, utilizing the Medicaid Program Error Memos to track and resolve exceptions identified through the interface. ESA will revise its process to include specific timeframes by which staff is to process exception corrections. In addition, DHS will electronically file the documentation to support the review of the Medicaid Program Error Memos.

Management will adjust the controls to include a central location for all memorandums and include monitoring to ensure timely actions.

<i>Finding Number</i>	2012-115
<i>Prior Year Finding Number</i>	2011-77
<i>Federal Program</i>	Medicaid Cluster (93.775, 93.777, 93.778)
<i>Federal Award Number</i>	1205DC5ADM, 1205DC5MAP
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health Care Finance (DHCF)
<i>Compliance Requirement</i>	Special Tests and Provisions: Provider Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

Title XIX requires the District of Columbia to enter into written agreement with every person or institutions providing services under the State's plan for Medical Assistance. It also requires that the provider – when applicable – must (1) be licensed in the jurisdiction where located and/or the District of Columbia; (2) be currently in compliance with standards for licensure; (2) services be administered by a licensed or certified practitioner; and, (4) comply with applicable federal and district standards for participation in Title XIX of the Social Security Act.

Per the Committee of Sponsoring Organizations (COSO) *Volume II Guidance on Monitoring Internal Control Systems*, internal controls “ensure that necessary actions are taken to address risks to achieving objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.”

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During testing over provider eligibility for the Medicaid program, we noted exceptions in 4 out of 95 provider files. Specifically, we noted the following:

- For three (3) providers, the Department of Health Care Finance (DHCF) was unable to provide copies of the signed provider agreements.
- For one (1) provider, the provider’s application and agreement were received but not signed.

Cause

As a result in deficiencies in DCHF’s internal control over special tests and provisions: provider eligibility and in its process for maintaining current information to support Medicaid provider eligibility, information was not adequately maintained.

Effect

Ineligible Medicaid providers could receive payments for Medicaid related services from DHCF. Failure to maintain sufficient documentation to support the eligibility determination for providers could result in disallowances.

Recommendations

We recommend that DCHF, in coordination with its service provider, improve the internal controls and process for maintaining current information to support Medicaid provider eligibility.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

Management concurs with the Recommendation. DCHF will work with Xerox on improving the internal controls and process including a quarterly QA audit to ensure provider files are current and have sufficient documentation.

<i>Finding Number</i>	2012-116
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Medicaid Cluster (93.775, 93.777, 93.778); Children’s Health Insurance Program (93.767)
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health Care Finance (DHCF)
<i>Compliance Requirement</i>	Activities Allowed or Unallowable and Allowable Costs/Cost Principles, Period of Availability, Special Tests and Provisions – ADP Risk Analysis and System Security Review
<i>Finding Related to ARRA</i>	No

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission- Internal Control Integrated Framework states that, *“The Internal control systems need to be monitored--a process that assesses the quality of the system’s performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.”*

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition

During our testing of internal controls over management’s review of the FY 2012 Statements on Standards for Attestation Engagements (SSAE) No. 16 Reports, we noted that management does not have a formal process in place to review the Medicaid Management Information Systems (MMIS) service auditor’s report.

Cause

Management does not have a formal policy in place to review the service auditor’s report for the MMIS.

Effect

Management is unable to provide documentary evidence to support the timely review of the service auditor’s report. Management may be unaware or unresponsive to deficiencies that are identified through the service auditor’s report. Management may also not be fully considering whether it has sufficient end-user (i.e. complimentary) controls in place.

Recommendations

We recommend that the District formalize the process by which it obtains and reviews SSAE 16 reports to evaluate the deficiencies and user entity considerations noted in the individual reports, and how any identified deficiencies may impact the District to ensure the appropriate controls are in place to mitigate those deficiencies.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding. While we meet with the auditors to review the finding on the audit, we do not have a process for documenting that the meeting occurred. Going forward the District will create a process to document the review of the SSAE 16 reports.

<i>Finding Number</i>	2012-117
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Medicaid Cluster (93.775, 93.777, 93.778)
<i>Federal Award Number</i>	1205DC5ADM; 1205DC5MAP
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health Care Finance – Division of Program Integrity
<i>Compliance Requirement</i>	Special Tests and Provisions – Utilization Control and Program Integrity
<i>Finding Related to ARRA</i>	No

Criteria

Health Care Accountability Administration Office of Program Integrity (OPI) Policies and Procedures: Part II . Conduct of Preliminary Investigation of Suspected Fraud: *4. The investigator prepares a written report of the case which must be approved by the Chief Investigator before the case can be closed, or before the case can be referred to the Director of the Health Care Accountability Administration (HCAA) prior to referral to the MFCU or any other law enforcement groups.*

Per the Committee of Sponsoring Organizations (COSO) *Volume II Guidance on Monitoring Internal Control Systems*, internal controls “ensure that necessary actions are taken to address risks to achieving objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.”

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

The OMB A-133 Compliance Supplement requires that the State plan provide methods and procedures to safeguard against unnecessary utilization of care and services, including those provided by long-term care institutions. In addition, the State must have: (1) methods of criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials. And that suspected fraud identified by utilization control and program integrity should be referred to the State Medicaid Fraud Control Units.

42 CFR § 455.13 *Methods for identification, investigation, and referral.* The Medicaid agency must have - (a) Methods and criteria for identifying suspected fraud cases; (b) Methods for investigating these cases that— (1) Do not infringe on the legal rights of persons involved; and (2) Afford due process of law; and (c) Procedures, developed in cooperation with State legal authorities, for referring suspected fraud cases to law enforcement officials.

42 CFR § 455.14 *Preliminary Investigation.* If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation.

Condition

The Division of Program Integrity within the District's Department of Health Care Finance (DHCF) conducts post-payment audits and investigations of Medicaid providers. The department initiates investigations as a result of outside tips or audit findings and – upon the completion of the preliminary investigation – refers the cases to the Medicaid Fraud Control Unit (MFCU) or other law enforcement agencies. The investigators document the decision to close the preliminary investigation or refer the case to law enforcement in the Closing Memo.

During our testing over utilization control and program integrity for the Medicaid program, we noted the following deficiencies in the investigations process:

- For 9 in a sample of 9 cases, the Closing Memo was not completed by the lead investigator and reviewed and approved by the Chief Investigator.
- For 4 out of 9 cases, the case file lacked adequate support, including an investigative plan and notes to support the closing of the case.
- For 1 out of 9 cases, the case file lacked adequate support to evidence whether the case was referred to the appropriate agency.

Cause

Management did not enforce the controls that are in place to review and approve case results prior to closing the file. Additionally, the case file management system is informal and as a result there are variations in the level of documentation that is retained for each case.

Effect

Suspected fraud cases may not be properly investigated and referred to the MFCU or other law enforcement agencies for review.

Recommendations

We recommend that the District enforce its current policies and procedures with respect to the review and approval of the closing documents. Additionally, we recommend the District include within its policies and procedures the appropriate documentation, at a minimum, that must be included in the case files to support the conclusion and establish guidelines.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

DHCF occurs with the findings and has a written policy that it will adhere to when closing out investigative matters.

DHCF will develop written policies and guidelines for what should be contained in a case file. Management issued a directive to all staff on January 20, 2012 on the forms that need to be utilized and contained in each case file. Management will ensure that the forms are contained in each case file by having a monthly file review.

<i>Finding Number</i>	2012-118
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Medicaid Cluster (93.775, 93.777, 93.778)
<i>Federal Award Number</i>	1205DC5ADM; 1205DC5MAP
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health Care Finance (DHCF)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for “*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;...*”

The Medicaid State Plan: Citation 42 CFR 431.17AT-79-29. Section 4.7 (Maintenance of Records) states, “*The Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of medical assistance, and administrative costs and statistical, fiscal and other records necessary for reporting and accountability, and retains these records in accordance with Federal requirements. All requirements of 42 CFR 431.17 are met.*”

Per the Economic Security Administration (ESA) Policy Manual, Section 1.3, “*All eligibility criteria and clarifying information are documented on the Record of Case Action, form 1052. The case record should speak for itself. An outside reviewer shall be able to follow the chronology of events in the case by reading the narrative. All application documents including verification and correspondence must be date-stamped. For working recipients, the record should include the dates pay is received and how often the recipient is paid. When the recipient’s statement is the best available source, the record should include the application/recipient’s and agency efforts to verify the information. All address changes should be documented.*”

Condition

During testing over beneficiary eligibility for the Medical Assistance Program (Medicaid), we selected a sample of 106 payments from the total population of FY 2012 Medicaid claims payments. We then tested compliance with Medicaid eligibility requirements for the beneficiaries related to those 106 claims payments. Within our sample of 106, we noted that the Economic Security Administration (ESA) was unable to provide sufficient documentation to support the eligibility determination for seven (7) samples. We determined that the District paid \$52,084 in federal awards during FY 2012 for claims related to those 7 Medicaid beneficiaries. This amount represents 1.08% of the total amounts paid by the District in FY2012 for claims related to the 106 Medicaid beneficiaries sampled of \$4,841,672. The District paid a total of \$1,477,290,334 in federal awards to Medicaid beneficiaries in FY 2012.

Cause

The District did not consistently adhere to its established policies and procedures requiring it to maintain documentation supporting participant eligibility.

Effect

The District is not in full compliance with its policies and with Federal program compliance requirements surrounding records maintenance. Further, ineligible Medicaid beneficiaries may receive benefits under the Medicaid grant and the District may make payment on behalf of those beneficiaries.

Recommendations

We recommend that the District follow their policies and procedures for maintaining case record documentation and improve its controls over monitoring compliance. We observed that the District is in the process of scanning all beneficiary files into the Document Imaging Management System (DIMS) to allow for the files to be available electronically.

Related Noncompliance

Material Noncompliance

Questioned Costs

\$52,084

Views of Responsible Officials

DHS agrees with the auditor's findings and recommendation.

<i>Finding Number</i>	2012-119
<i>Prior Year Finding Number</i>	2011-83
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-22-00 (4/1/12-3/31/12) 6 X07HA00045-21-01 (4/1/11-3/31/12)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 225 states the following:

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

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

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

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

Condition

We noted that DOH continued to allocate payroll expenditures to the HIV Care Formula Grant (HIV Care) program during fiscal year 2012 based on budgeted percentages. These percentages are entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the year and are based on what management believes will be the respective employee's level of effort for each cost objective. PeopleSoft calculates and reports payroll costs on the Labor Distribution Report (485 Report) for each employee based on the predetermined percentage for each payroll cycle. However, management did not perform a periodic comparison of actual costs to the budgeted costs and make any necessary adjustment as required by OMB Circular A-87 B8 (h).

Cause

The District did not have policies and procedures in place to review the estimated amounts of payroll expenditures to the actual expenditures incurred. Per discussion with DOH management, the District expected employees to start tracking the time they spent on each grant once Peoplesoft was upgraded to the new version. However, the upgrade to the new version was not expected to be completed until FY 2013.

Effect

DOH was unable to support that the payroll expenditures charged to the HIVER grant were allowable.

Recommendation

We recommend that management continues with its plans to implement the new version of PeopleSoft. In addition, management should develop policies and procedures to ensure employees are properly tracking their time on a grant basis once the new system is implemented.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable. However, payroll costs for HIV Care in FY2012 were \$1,786,219 including fringe benefits. There were no indirect costs.

Views of Responsible Officials

The Department of Health concurs with the finding (No. 2012-HSS-02) for the HIV Care Formula Grants (93.917). Important clarification: DOH management did not state to KPMG that PeopleSoft would be upgraded to accommodate any new function. The "combo code" functions are already in the system. DOH stated that it would activate that feature within PeopleSoft for the purpose of reporting actual personnel time on grants. DOH is continuing to pursue internal steps for implementation and training, as well as enhancing existing controls to establish time distribution monitoring and random sampling of hours reported on time sheets by personnel assigned across multiple grants or cost objectives. DOH Time Distribution Sheets will be requested by DOH management and will be certified by the employee and

responsible supervisor. DOH Human Resources will maintain all documentation for each payroll. The DOH Office of Grants Management will routinely monitor implementation of this protocol.

<i>Finding Number</i>	2012-120
<i>Prior Year Finding Number</i>	2011-83
<i>Federal Program</i>	HIV Care Formula Grant s(CFDA# 93.917) 2X07HA00045-22-OO (Year 22)
<i>Federal Award Number</i>	2X07HA00045-22-OO (Year 22)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	DC Department of Health, HIV/AIDS, Hepatitis, STD & TB Administration (HAHSTA)
<i>Compliance Requirement Finding Related to ARRA</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles, No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We noted that there was a total of \$21,518,752.47 expenditures related to controls around the allowability and period of availability compliance requirements for non-payroll services. We selected a sample of 65 expenditures totaling \$15,389,459 to test compliance over DOH's allowable and period of availability and noted the following exceptions:

- For 5 of the 65 items selected in the amount of \$11,384, DOH did not maintain adequate documentation to evidence that the invoice was approved by the Deputy Chief-Bureau of Grants Management & Fiscal Monitoring.
- For 5 of the 65 items selected in the amount of \$135,933, the certification of services received form was signed by the Grants Management Specialist on behalf of the Deputy Chief-Bureau of Grants Management & Fiscal Monitoring. However, DOH did not maintain supporting to evidence that the Grants Management Specialist had authority to sign the invoices when the Deputy Bureau Chief, Grants Management and Fiscal Monitoring were unavailable.
- For 2 out of 65 items selected in the amount of \$2,032 the entire invoice was charged to the HIV Care program, however, there were activities associated with the invoice that were not HIV-related.

In addition, there was no control in place to ensure Aids Drug Assistance Program (ADAP) expenditures were reconciled to eligible participants. We noted during our testing that the ADAP Pharmacy Benefits Manager (PBM) weekly replenishment reports did not identify the participants for whom the pharmacies were ordering as of June 30, 2012. Therefore, we could not reconcile pharmacy drug orders to the eligible participants. However, the District contracted with a new PBM beginning July, 1 2012 that utilized a different system. As a result, the new weekly replenishment reports from the pharmacies now displays the orders by participant ID which would facilitate the execution of a reconciliation control.

Cause

DOH did not have adequate controls in place to ensure that costs were allowable and reconciled to eligible participants.

Effect

Without adequate controls, District has an increased risk of not complying with the allowability compliance requirements for the HIV Care program.

Recommendation

We recommend that management strengthen controls to ensure that all expenditures are properly supported and reviewed, and that expenditures related to the ADAP program are properly reconciled.

Related Noncompliance

Material Noncompliance for Activities Allowed or Unallowed and Allowable Costs/Cost Principles(when considered in conjunction with Finding 2012-119)

Questioned Costs

Non determinable

Views of Responsible Officials

The Department of Health concurs with the finding regarding allowable activities and allowable costs for HIV Care Formula grant's ADAP, and specifically with regard to management review and certification of the 5 of 65 invoices cited as exceptions in this review. In response to this finding, DOH will immediately reissue protocols for supervisory review, signage and approval of invoices and documentation of management delegation of responsibilities and approval authority. In these instances, DOH agrees that it did not provide documentation of this delegation of authority.

Review of 2 vouchers paid to Falcon Express indicated that the invoices were charged 100% to the HIV Care program, although services were provided for more than ADAP related delivery. An MOU was in place during the fiscal year with the Department of Health Care Finance for administrative services, including delivery charges. Auditors were provided a copy of the MOU as well as copies of 2 other invoices (outside the sample) for the exact same amounts for ADAP related delivery that were charged 100% to the MOU, a neutral-cost impact.

<i>Finding Number</i>	2012-121
<i>Prior Year Finding Number</i>	2011-84
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-22-00 (4/1/12-3/31/13) 6 X07HA00045-21-01 (4/1/11-3/31/12)
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our walkthrough of the grant award eligibility determination process for subrecipients related to the HIV Care program, we noted that the applicants submit a Request for Application (RFA) to the Department of Health (DOH). The RFA is reviewed by an external review panel that prepares the scoring sheets. Then a decision document is prepared that is subject to multiple layers of review before the Notice of Grant Award (NOGA) is issued. Prior to the NOGA being issued, the Grant Monitors is supposed to verify that all applicable assurances were received from the applicant to ensure they met the eligibility requirements. However, there was no documented review to ensure eligibility was properly determined prior to the NOGA being signed.

Cause

DOH did not have any policies and procedures in place that require a quality control review of eligibility determinations to ensure that compliance requirements are met for subrecipients.

Effect

Absence of the properly designed and implemented controls might cause the District's HIV Care program to be noncompliant with eligibility compliance requirements.

Recommendation

We recommend that management improve its internal controls by developing policies and procedures for a quality control review by management over eligibility determinations for subrecipients.

Related Noncompliance

Material Noncompliance (when considered in conjunction with finding 2012-122)

Questioned Costs

None

Views of Responsible Officials

DOH does not concur with this finding regarding the review process and documentation of the eligibility of sub-grantee organizations.

The basis of non-concurrence is that DOH does in fact have in place the requisite controls to request, receive and review eligibility documents of applicant organizations and eventual sub-grantees. DOH outlines in all Requests for Applications (RFAs) a list of documents required by the application submission deadline and those assurances and certifications needed to be provided prior to award. Applicants with existing DOH grants can obtain a pre-submission inventory of business documents already on file with DOH at the time of the open RFA. Eligibility documents (e.g. 501C (3) and DC business licenses) are a part of assurances and certification packages that are received and date-stamped as supplemental package/section of the full submission. Further, HAHSTA grants management staff retains and provides the applicant with a signed receipt with a check-list of the types of documents received upon submission of the application.

An important clarification: The NFR does not outline specific exceptions that the auditor used to support or tie-back the finding to documents requested and reviewed by the auditor. Since the issuance of the NFR, DOH has provided documentation intended to support its position of non-concurrence.

KPMG response

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

<i>Finding Number</i>	2012-122
<i>Prior Year Finding Number</i>	2011-84
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-22-00 (4/1/12-3/31/13) 6 X07HA00045-21-01 (4/1/11-3/31/12)
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

42 U.S.Code 300ff-26(b) states, "...to be eligible to receive assistance in the form of therapeutics, an individual must have a medical diagnosis of HIV/AIDS and be a low-income individual, as defined by the State."

Condition

During our testwork over eligibility, we selected a sample of 65 participants to test compliance related to ADAP participants and noted the following:

1. One of the 65 participants did not have a certification from the physician or case manager to confirm the applicant's HIV status.
2. Nine of the 65 participants, the participants were released from jail and therefore were qualified for the first 30 days of medication without submitting the application. However, the data received from the Department of Correction was not certified by the Doctor to validate the HIV status.
3. Five of the 65 participants did not have a current application on file to support the services provided during the period.
4. Eight of the 65 participants, the type of program service provided to the applicant did not match the type of insurance coverage he/she had.
5. One of the 65 participants, the applicant was not included in the report showing the types of programs provided to participants based on their insurance coverage. Therefore, we were not able to verify the insurance coverage for the applicant.

Cause

DOH did not have policies and procedures in place to require eligibility determinations be reviewed by someone other than the preparer to ensure the eligibility requirements were properly met and supported.

Also, there were no policies and procedures for determining eligibility of participants that were released from jail.

Effect

The District's HIV Care program was not in compliance with eligibility compliance requirements.

Recommendation

We recommend that management:

- Develop policies and procedures that require management to perform a quality control review of eligibility determinations.
- Adhere to existing policies and procedures related to maintaining the documentation required to determine eligibility of a participant.
- Develop policies and procedures for determining eligibility of participants that were released from jail.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable.

Views of Responsible Officials

The Department of Health concurs with finding 2012-HSS-05 (HIV Care Part B) regarding client eligibility for the AIDS Drug Assistance Program (ADAP). Moving forward, HAHSTA will develop more efficient controls to oversee procedures for determining and documenting client eligibility for ADAP services. Quality control measures will be enhanced to include routine sampling and client data review, including insurance information.

To address the exceptions cited in this NFR, HAHST A will immediately determine if client eligibility has been confirmed for conditions noted above. Additionally, HAHSTA will review and revise, as needed, the process for enrolling recently released persons into ADAP to ensure access to needed medication and to ensure that proper certifications and documents follow the client as they transition from incarceration to community care. Important consideration: HAHST A will have to review the specific cases cited as exceptions to support conditions 3 and 4 of this NFR, since ADAP enrollment encompasses and permits use of funds for a range of circumstances and it is not clear which services are in question for the participants noted in the audit review of client data.

<i>Finding Number</i>	2012-123
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-22-00 (4/1/12-3/31/13) 6 X07HA00045-21-01 (4/1/11-3/31/12)
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort and Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to Code 42 USC (U.S. Code) 300ff-27(d)(2)(B)(i) non-federal contributions provided by the State have to be for HIV-related services.

According to Code 42 USC (U.S. Code) 300ff-27(d) States and territories (excluding Puerto Rico) with greater than 1 percent of the aggregate number of national cases of HIV/AIDS in 2-year period preceding the Federal fiscal year in which the State is applying for a grant must, depending on the number of years in which this threshold requirement has been met, provide matching funds as follows:

- a) for the first fiscal year of payments under the grant, not less than 162/3 percent of such costs (\$1 for each \$5 of Federal funds provided in the grant);
- b) for any second fiscal year of such payments, not less than 20 percent of such costs (\$1 for each \$4 of Federal funds provided in the grant);
- c) or any third fiscal year of such payments, not less than 25 percent of such costs (\$1 for each \$3 of Federal funds provided in the grant);
- d) for any fourth fiscal year of such payments, not less than 33 1/3 percent of such costs (\$1 for each \$2 of Federal funds provided in the grant); and
- e) for any subsequent fiscal year of such payments, not less than 33 1/3 percent of such costs (\$1 for each \$2 of Federal funds provided in the grant).

The District of Columbia has greater than 1% of the aggregate number of national cases of HIV/AIDS in the 2-year period preceding the Federal fiscal year and both of the grants have been available for more than four years. Thus, non-federal contribution of 50% is required, which is \$5,874,756. However, per grant agreement ADAP State and Supplemental Match Requirement is \$10,192,895.

Condition

During our walkthrough of controls over the matching compliance requirement, we obtained and reviewed management's report of the local funds spent on HIV-related activities for the period April 1, 2011 through March 31, 2012. As a result of our testing we identified the following issues:

- The report included an estimate of other departments' local expenditures in the amount of approximately \$2.6 million; however DOH did not maintain adequate documentation to support this amount; and
- DOH did not maintain adequate documentation to evidence management's review and approval of the report.

We also received budget to actual program expenditures by funding source reports that were being reviewed by the Program Management on a monthly basis. The reports were distributed by the Office of the Chief Financial Officer (OCFO) to the program management via email. However, the budgets to actual reports were prepared for all DOH expenditures paid with local funds and did not separate the expenditures for HIV-related activities.

In addition, we selected a sample of 65 expenditures totaling \$2,130,564 paid from local funds to determine if they were for HIV-related activities and noted the following:

- For 8 of the 65 expenditures selected in the amount of \$312,504, the expenditure was for activities that were not HIV-related;
- For 3 out of 65 expenditures selected in the amount of \$211,212, only a portion of the total expenditure was for HIV-related activities. However, the supporting documentation did not break out the amount that was specifically for the HIV-related activities.
- For 1 of the 65 expenditures selected in the amount of \$200,000, DOH did not maintain adequate documentation to support the amount.

Cause

DOH processes and controls were not sufficient to ensure local expenditures related to HIV-related activities were properly tracked and supported, and to ensure compliance with the matching requirements.

Effect

The District's HIV Care program was not in compliance with matching program requirements.

Recommendation

We recommend that DOH management strengthen controls to ensure that local expenditures related to HIV-related activities are properly tracked and supported in order to ensure that compliance with applicable matching requirements.

Related Noncompliance

Material Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding above regarding controls and compliance for match and reporting requirements.

DOH agrees that the documentation provided for this review did not fully distinguish HIV-specific expenditures from other locally-funded expenditures. While most of the data provided were substantiated by HAHSTA fiscal and program records and backed by the SOAR financial reports, the local expenditure data from other District agencies were not determinant as match for HIV-programs due to the lack of specificity in the description of the activities. Moving forward, corrective actions will address inter-agency controls and procedures for budgeting and reporting match detail. DOH will immediately review the exception noted (\$2.6 million) in order to obtain evidence that the match requirement was indeed met. Moving forward DOH commits to an overhaul of internal compliance monitoring procedures to address this control deficiency. Specific corrective actions will include: (1) implementation of a quarterly multi-tiered and cross-agency review of local expenditures; (2) recruitment of key personnel to fill management vacancies and (3) continuation of skills-based training of fiscal and program managers of federal grants and subgrants.

<i>Finding Number</i>	2012-124
<i>Prior Year Finding Number</i>	NA
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-22-00 (4/1/12-3/31/13) 6 X07HA00045-21-01 (4/1/11-3/31/12)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

Title 2 of the Code of Federal Regulations (CFR), part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

31 CFR:

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

- (a) A clearance pattern must be auditable.
- (b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.
- (c) A clearance pattern must include seasonal or other periodic variations in clearance activity.
- (d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.
- (e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.
- (f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.
- (g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District's *Cash Management Improvement Act (CMIA) Agreement with the US Department of Treasury*, Section 6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns.

Condition

We selected a sample of 25 expenditures to test DOH's compliance with the Cash Management Improvement Act (CMIA) agreement report as it related to the HIV Care Formula grant program. Based on our testing, we noted the following exceptions:

- For 1 of the 25 items selected, we determined that DOH requested and received the funds prior to the allowed clearance date.
- For 6 of the 25 items selected, we noted that the date received on the CMIA Report did not agree with the settlement date on the cash draw support.

Cause

Controls over cash drawdowns were not sufficient to ensure that drawdowns were collected and received in accordance with the clearance patterns and that the information in the CMIA report was accurate.

Effect

The District was not in compliance with the cash management requirement and the CMIA agreement.

Recommendation

We recommend that management:

- Adhere to existing policies and procedures to ensure funds are received in accordance with the clearance patterns.
- Conduct a more robust review of the CMIA report to ensure its accuracy.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health, Office of the Chief Financial Officer concurs with the finding. Payment made to La Clinica Del Pueblo (V)8797653 on 3/19/12 was reimbursed on 3/23/12 for a 4 day clearance pattern. This HRSA grant was on restriction during FY 2012, and as such, all draws required pre-approval by the grantor. Six payment vouchers for reimbursement were improperly recorded in the CMIA report as being received on 9/14/12 vs. the actual receipt date of 9/17/12 due to a keying error. OCFO management commits to a more thorough review of future CMIA reports prior to submission to the Office of Finance & Treasury.

<i>Finding Number</i>	2012-125
<i>Prior Year Finding Number</i>	2011-85
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-22-00 (4/1/12-3/31/13) 6 X07HA00045-21-01 (4/1/11-3/31/12)
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort and Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

Code 42 USC (U.S. Code) 300ff-27 requires that the State maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Title II/Part B funds.

Condition

During our walkthrough of controls over the Level of Effort – Maintenance of Effort (MOE) compliance requirement, we obtained and reviewed the annual MOE calculation that was submitted to Health Resources and Services Administration (HRSA) in FY2012 that compared the level of expenditures in FY2009 (04/01/09- 03/31/10) and FY2010 (04/01/10- 03/31/11). During our review of this report, we noted that DOH did not maintain adequate documentation to support all of the amounts presented in the calculation.

In addition, per discussion with management, it was noted that DOH did not have policies and procedures in place to monitor the level of expenditures related to HIV-related services throughout the year to ensure that the level of such expenditures in the current year was comparable to the prior year

Cause

DOH does not currently have policies and procedures in place for reviewing the MOE report and maintaining the supporting documentation or for monitoring the MOE levels throughout the fiscal year.

Effect

The District was not in compliance with the MOE compliance requirement for the HIV Care Formula Grants program.

Recommendation

We recommend that management develop policies and procedures for:

- Reviewing the MOE report,
- What documentation should be maintained to support the MOE report, and
- To monitor MOE levels throughout the fiscal year.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding regarding lack of efficient compliance monitoring and reporting controls to ensure that Maintenance of Effort (MOE) requirements are being met. In the prior year's corrective actions for this same finding, DOH implemented a general process for on-going review of MOE levels, but it was not fully supported with policies and procedures for conducting those reviews and ensuring that quarterly reports were produced for internal review. Moving forward, corrective actions will address inter-agency controls and procedures for the reviews to include determination of protocol for documentation and for intra-agency, cross-agency and EMA/jurisdictional participation. DOH commits to an overhaul of internal compliance monitoring procedures to address this control deficiency. Specific corrective actions will include recruitment of personnel to fill key management vacancies for fiscal monitoring and grants management.

<i>Finding Number</i>	2012-126
<i>Prior Year Finding Number</i>	2011-86
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-22-00 (4/1/12-3/31/13) 6 X07HA00045-21-01 (4/1/11-3/31/12)
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort and Earmarking
<i>Finding Related to ARRA</i>	No

Criteria

Title 2 of the Code of Federal Regulations (CFR), part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Title 42 of the United States Code (USC), section 300ff-28(b)(2) requires that no more than 10 percent of the amounts received under the grant be used for planning and evaluation activities.

42 USC 300ff-28(b)(3) requires that no more than 10 percent of the funds amounts received under the grant be used for administration.

42 USC 300ff-28(b)(5) requires that no more than a total of 15 percent of the amounts received be used for the combined costs for administration, planning, and evaluation. States and territories that receive a minimum allotment (between \$200,000 and \$500,000) may expend up to the amount required to support one full-time equivalent employee for any or all of these purposes.

42 USC 300ff-28(b)(3)(B) requires that the aggregate of expenditures for administrative expenses by entities and subcontractors (including consortia) funded directly by the State from grant funds (“first-line entities”) may not exceed 10 percent of the total allocation of grant funds to the State (without regard to whether particular entities spend more than 10 percent for such purposes).

42 USC 300ff-21(b) requires that for the purpose of providing health and support services to women, youth, infants, and children with HIV disease, including treatment measures to prevent the prenatal transmission of HIV, a State shall use for each of these populations not less than the percentage of Title II or Part B funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS.

42 USC 300ff-26(c) requires that a State shall use a portion of the funds awarded to establish a program to provide therapeutics to treat HIV/AIDS or prevent the serious deterioration of health arising from HIV/AIDS in eligible individuals, including measures for the prevention and treatment of opportunistic infections. The amount of this specific earmark for ADAP will be provided in the grant agreement. Of the amount earmarked in the grant agreement for this purpose, the State may use not more than 5 percent to encourage, support, and enhance adherence to and compliance with treatment regimens (including related medical monitoring) unless the Secretary (or designee) approves a 10 percent limit.

42 USC 300ff-28(b)(3)(E) requires that a State shall establish a quality management program to determine whether the services provided under the grant are consistent with the most recent Public Health Service guidelines for the treatment of HIV disease and related opportunistic infection and, as applicable, to develop strategies for bringing these services into conformity with the guidelines. Funds used for this purpose may not exceed the lesser of 5 percent of the amount received under the grant or \$3,000,000, and are not considered administrative expenses for purposes of the limitation under paragraph 3.b above.

42 USC 300ff-22(b) requires that unless waived by the Secretary, HHS (or designee), not less than 75 percent of the amount remaining after reserving amounts for State administration and a clinical quality management program shall be used to provide core medical services to eligible individuals with HIV/AIDS (including services regarding the co-occurring conditions of those individuals).

Condition

We obtained the Minority HIV/AIDS Initiative (MAI) expenditure report for the period April 1, 2011 through March 31, 2012 that was used to calculate the earmarking requirement and noted that DOH did not maintain adequate documentation to support the numbers in the MAI expenditure report.

We also requested support for the expenditures by categories related to FY 2012 and noted that the District did not monitor the types of expenditures subject to earmarking as the percentage of the total expenditures spent throughout the year to ensure that they were compliant with the earmarking requirement.

Cause

Controls over the review of the MAI expenditure report prior to submission were not operating effectively. Specifically, there was a lack of policies and procedures related to what documentation was required to be maintained to support the spreadsheets used to calculate the amounts presented on the MAI expenditure report. In addition, there were no policies and procedures in place that required the types of expenditures subject to earmarking to be monitored throughout the year.

Effect

The District was not in compliance with the earmarking compliance requirement for the HIV Care Formula Grants program. In addition, without adequate documentation to support the numbers used to calculate the earmarking, the MAI expenditure report could be misstated.

Recommendation

We recommend that management:

- Develop policies and procedures to address the minimum documentation that should be maintained to support the MAI expenditure report and to require reviewers to ensure the supporting documentation is being maintained as part of their review.
- Develop policies and procedures to monitor the types of expenditures subject to earmarking throughout the year to ensure they do not exceed the allowable percentage of the total expenditures.

Related Noncompliance

Material noncompliance

Questioned Costs

Non determinable due to expenditures not maintained by categories for the year.

Views of Responsible Officials

The Department of Health concurs with the finding regarding reporting for the HIV Care Formula grant program. DOH accepts the recommendations of the NFR and will overhaul policies and procedures to ensure on-going monitoring and recurring review of the expenditures of the MAI portion of the award. DOH will revise monitoring workbooks and documentation protocols to ensure that supporting data use to report out the MAI portion of the grant are maintained by grant monitors, reviewed monthly by program specialists and fiscal monitors and approved by managers responsible for oversight of MAI. HAHSTA managers will seek technical assistance from the grantor agency on maintaining documentation to support MAI expenditure thresholds for earmarking compliance. HAHST A will continue to address recruitment for vacancies of key positions responsible for oversight of HAHSTA grants and fiscal management. DOH Office of Grants Management will explore options for integrating monitoring workbooks and reviews into a centralized electronic system of management and oversight for reporting.

<i>Finding Number</i>	2012-127
<i>Prior Year Finding Number</i>	2011-88
<i>Federal Program</i>	HIV Care Formula Grants (93.917)
<i>Federal Award Number</i>	2 X07HA00045-22-00 (4/1/12-3/31/13) 6 X07HA00045-21-01 (4/1/11-3/31/12)
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

45 CFR 92.40(a) states “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.”

31 USC 7502(f)(2)(B) states that “each pass-through entity shall Monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means” to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

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

Condition

During our testwork over subrecipient monitoring we noted there was a total of 24 subrecipients during FY 2012. To ensure the subrecipients are complying with the requirements of the grant, DOH performs two site visits for each subrecipient selected for monitoring: a program site visit and a grant site visit (i.e. financial site visit). We selected a sample of 8 subrecipients to test controls and compliance with subrecipient monitoring requirements and noted the following:

- For one subrecipient, a grant site visit was not performed.
- For one subrecipient, the program site visit report was not reviewed and approved by the Supervisor on a timely basis; the report was approved six months after the site visit.
- For two subrecipients, DOH did not maintain adequate documentation to prove the grant site visits report were reviewed and approved by the Bureau Chief of Grant Management and Fiscal Control on a timely basis; the reports were approved six months after the site visits.

- For two subrecipients, DOH did not perform a complete site visit. Specifically, DOH did not review a sample of program participants to ensure their eligibility was properly determined by the subrecipient.
- For one subrecipient, DOH did not maintain adequate documentation to demonstrate that the District obtained the A-133 audit report from the subrecipient.

Cause

Controls were not operating effectively to ensure that the District is in compliance with the subrecipient monitoring compliance requirement.

Effect

The District was not in compliance with the subrecipient monitoring compliance requirement for the HIV Care program.

Recommendation

We recommend that management implement monitoring controls to periodically review site visits to ensure they are performed, complete, properly reviewed, and findings are followed up in a timely manner and that DOH personnel are adhering to existing policies and procedures related to grant visits.

Related Noncompliance

Material Noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding regarding sub-recipient monitoring for Housing Opportunities for Persons with HIV/AIDS (HOPWA) subgrants. DOH seeks to adhere fully to federal pass-through and local requirements for monitoring DOH-issued grant awards. In response to this finding, DOH will immediately issue management protocols for oversight of monitoring plans, site visit schedules, on-site review protocols and reports. This immediate action will address deficiencies in oversight of activities of program monitors and grants management specialists for whom site visits should be a primary activity to facilitate review of performance, compliance and technical assistance needs of DOH's grantee-partners.

The DOH Office of Grants Management will continue to revamp and re-issue existing policies and procedures, to develop uniform tools and increase skills and competency of DOH personnel. Specific activities underway in FY 13 are a DOH Site Visit Workgroup and a skills-building training series targeting program, fiscal and grants specialists. DOH accepts the recommendations of the NFR as a part of a comprehensive plan to ensure that every grant issued has a pre-award risk/capacity-assessment, a risk-based monitoring plan, site visits and desk-review schedules and reports of progress and performance on record.

<i>Finding Number</i>	2012-128
<i>Prior Year Finding Number</i>	2011-78
<i>Federal Program</i>	HIV Emergency Relief Projects Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-22-00 (3/1/12-2/28/13) H89HA00012-21-04 (3/1/11-2/29/12)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 225 states the following:

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

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

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

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

Condition

We noted that DOH continued to allocate payroll expenditures to the HIV Emergency Relief Projects Grants (HIVER) program during fiscal year 2012 based on budgeted percentages. These percentages are entered into the PeopleSoft Human Resources/Payroll System (PeopleSoft) at the beginning of the year and are based on what management believes will be the respective employee's level of effort for each cost objective. PeopleSoft calculates and reports payroll costs on the Labor Distribution Report (485 Report) for each employee based on the predetermined percentage for each payroll cycle. However, management did not perform a periodic comparison of actual costs to the budgeted costs and make any necessary adjustment as required by OMB Circular A-87.

Cause

The District did not have policies and procedures in place to review the estimated amounts of payroll expenditures to the actual expenditures incurred. Per discussion with DOH management, the District expected employees to start tracking the time they spent on each grant once Peoplesoft was upgraded to the new version. However, the upgrade to the new version was not expected to be completed until FY 2013.

Effect

DOH was unable to support that the payroll expenditures charged to the HIVER grant were allowable.

Recommendation

We recommend that management continues with its plans to implement the new version of PeopleSoft. In addition, management should develop policies and procedures to ensure employees are properly tracking their time on a grant basis once the new system is implemented.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable. However, payroll costs for HIVER in FY 2012 were \$1,472,923 including fringe benefits.

Views of Responsible Officials

The Department of Health concurs with the finding (No. 2012-HSS-03) for the HIV Emergency Relief Project Grants (93.917). Important clarification: DOH management did not state to KPMG that PeopleSoft would be upgraded to accommodate any new function. The "combo code" functions are already in the system. DOH stated that it would activate that feature within PeopleSoft for the purpose of reporting actual personnel time on grants. DOH is continuing to pursue internal steps for implementation and training, as well as enhancing existing controls to establish time distribution monitoring and random sampling of hours reported on time sheets by personnel assigned across multiple grants or cost objectives. DOH Time Distribution Sheets will be requested by DOH management and will be certified by the employee and responsible supervisor. DOH Human Resources will maintain all documentation for each payroll. The DOH Office of Grants Management will routinely monitor implementation of this protocol.

<i>Finding Number</i>	2012-129
<i>Federal Program</i>	HIV Emergency Relief Project Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-22-00 (3/1/12-2/28/13) H89HA00012-21-04 (3/1/11-2/29/12)
<i>Federal Agency</i>	Department of Health and Human Services (HHS)
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Eligibility
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our walkthrough of the grant award eligibility determination process for subrecipients related to the HIV Emergency Relief Project Grants (HIVER) program, we noted that the applicants submit a Request for Application (RFA) to the Department of Health (DOH). The RFA is reviewed by an external review panel that prepares the scoring sheets. Then a decision document is prepared that is subject to multiple layers of review before the Notice of Grant Award (NOGA) is issued. Prior to the NOGA being issued, the Grant Monitors is supposed to verify that all applicable assurances were received from the applicant to ensure they met the eligibility requirements. However, there was no evidence of a documented review to show eligibility was properly determined prior to the NOGA being signed.

Cause

DOH did not have any policies and procedures in place that require a quality control review of eligibility determinations to ensure that compliance requirements are met for subrecipients.

Effect

Absence of the properly designed and implemented controls might cause the District's HIVER program to be noncompliant with eligibility compliance requirements.

Recommendation

We recommend that management improve its internal controls by developing policies and procedures for a quality control review by management over eligibility determinations for subrecipients.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DOH does not concur with this finding regarding the review process and documentation of the eligibility of sub-grantee organizations. The basis of non-concurrence is that DOH does in fact have in place the requisite controls to request, receive and review eligibility documents of applicant organizations and eventual sub-grantees. DOH outlines in all Requests for Applications (RFAs) a list of documents required by the application submission deadline and those assurances and certifications needed to be provided prior to award. Applicants with existing DOH grants can obtain a pre-submission inventory of business documents already on file with DOH at the time of the open RFA. Eligibility documents (e.g. SOIC (3) and DC business licenses) are a part of assurances and certification packages that are received and date-stamped as supplemental package/section of the full submission. Further, HAHST A grants management staff retains and provides the applicant with a signed receipt with a check-list of the types of documents received upon submission of the application. Important clarification: The NFR does not outline specific exceptions that the auditor used to support or tie-back the finding to documents requested and reviewed by the auditor. Since the issuance of the NFR, DOH has provided documentation intended to support its position of non-concurrence.

KPMG's Response

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

<i>Finding Number</i>	2012-130
<i>Prior Year Finding Number</i>	2011-80
<i>Federal Program</i>	HIV Emergency Relief Project Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-22-00 (3/1/12-2/28/13) H89HA00012-21-04 (3/1/11-2/29/12)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort and Earmarking and Reporting
<i>Finding Related to ARRA</i>	No

Criteria

Title 2 of the Code of Federal Regulations (CFR), part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Title 42 of the United States Code (USC), Section 300 ff-14(c)(1) requires that not less than 75 percent of the amount remaining after reserving amounts for eligible metropolitan area (EMA) or transitional grant area (TGA) administration and a clinical quality management program shall be used to provide core medical services to eligible individuals in the eligible area (including services regarding the co-occurring conditions of those individuals).

42 USC 300 ff-14(h)(1) requires that not more than 10 percent of the amount awarded to the EMA or TGA may be used for administration at that level.

Condition

We obtained the Minority HIV/AIDS Initiative (MAI) expenditure report for the period March 1, 2011 through February 29, 2012 that was used to calculate the earmarking requirement and noted the following:

- DOH did not maintain adequate documentation to support the Suburban Maryland data presented in the MAI report.
- DOH did not maintain adequate documentation to support the non-service expenditure included in MAI report: \$890,609 (clinical quality management) and \$2,937,851 (grantee administration) for Part A Award; and \$79,987 (clinical quality management) and \$263,855 (grantee administration) for MAI Award portion.
- Amounts used in the EMA-wide portion of the MAI report were less than the amounts in the supporting grant workbooks by \$85,892.
- In addition, 10.5% was spent on the administrative expenditures for grant award number 6 H89HA00012-21-04, which expired on February 29, 2012.

We also requested support for the expenditures by categories related to FY 2012 and noted that the District did not monitor the types of expenditures subject to earmarking as the percentage of the total expenditures spent throughout the year to ensure that they were compliant with the earmarking requirement.

Cause

Controls over the review of the MAI expenditure report prior to submission were not operating effectively. Specifically, there was a lack of policies and procedures related to what documentation was required to be maintained to support the spreadsheets used to calculate the amounts presented on the MAI expenditure report.

In addition, there were no policies and procedures in place to monitor the types of expenditures subject to earmarking as the percentage of the total expenditures spent throughout the year.

Effect

The District was not in compliance with the earmarking compliance requirement for the HIV Emergency Relief Projects Grants program. In addition, without adequate documentation to support the numbers used to calculate the earmarking, the MAI expenditure report could be misstated.

Recommendations

We recommend that management:

- Conduct a more robust review of the MAI expenditure report prior to it being submitted.
- Develop policies and procedures to specify what documentation should be maintained to support the MAI expenditure report.
- Develop policies and procedures to monitor the types of expenditures subject to earmarking as the percentage of the total expenditures spent throughout the year.

Related Noncompliance

Unable to determine compliance related to Matching, Level of Effort, and Earmarking and Reporting due to a scope limitation issued related to these compliance requirements. (Also see Finding 2012-131)

Questioned Costs

Not determinable

Views of Responsible Officials

Project grants. HAHST A will immediately review the variances outlined as conditions in this NFR and review the supporting documentation. DOH accepts the recommendations of the NFR and will overhaul policies and procedures to ensure on-going monitoring and recurring review of the expenditures of the MAI portion of the award. DOH will revise monitoring workbooks and documentation protocols to ensure that supporting data used to report out the MAI portion of the grant are maintained by grant monitors, reviewed monthly by program specialists and fiscal monitors and approved by managers responsible for oversight of MAI. HAHSTA managers will seek technical assistance from the grantor agency on maintaining documentation to support MAI expenditure thresholds for earmarking compliance. HAHSTA will continue to address recruitment for vacancies of key positions responsible for oversight of HAHST A grants and fiscal management. DOH Office of Grants Management will explore options for integrating monitoring workbooks and reviews into a centralized electronic system of management and oversight for reporting.

<i>Finding Number</i>	2012-131
<i>Prior Year Finding Number</i>	2011-79
<i>Federal Program</i>	HIV Emergency Relief Projects Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-22-00 (3/1/12-2/28/13) H89HA00012-21-04 (3/1/11-2/29/12)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Matching, Level of Effort and Earmarking and Reporting
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Code 42 USC (U.S. Code) 300ff-14(h)(1) requires each political subdivision within eligible metropolitan areas (EMAs) and transitional grant areas (TGAs) to maintain its level of expenditures for HIV-related services to individuals with HIV disease (or, effective with FY2007 awards, core and support services) at a level equal to its level of such expenditures for the preceding fiscal year. Political subdivisions within the EMA or TGA may not use funds received under the HIV grants to maintain the required level of HIV-related services (42 USC 300ff-15(a)(1)(B) and (C)).

Condition

During our walkthrough of controls over the Level of Effort – Maintenance of Effort (MOE) compliance requirement, we obtained and reviewed the annual MOE calculation that was submitted to Health Resources and Services Administration (HRSA) in FY2012 that compares the level of expenditures in FY2009 and FY2010. During our review of this report, we noted the following issues:

- DOH did not maintain adequate documentation to demonstrate the report was reviewed or approved.
- DOH did not maintain adequate supporting documentation for all of the amounts presented in the calculation.

In addition, per discussion with management, it was noted that DOH did not have policies and procedures in place to monitor the level of expenditures related to the HIV core and support services throughout the year to ensure that the level of such expenditures in the current year was comparable to the prior year, and to periodically obtain the necessary information related to the other political subdivisions within EMA.

Cause

DOH does not currently have policies and procedures in place for reviewing the MOE report and maintaining the supporting documentation or for monitoring the MOE levels throughout the fiscal year.

Effect

The District was not in compliance with the MOE compliance requirement for the HIV Emergency Relief Projects Grants program.

Recommendation

We recommend that management develop policies and procedures for:

- Reviewing the MOE report,
- What documentation should be maintained to support the MOE report, and
- To monitor MOE levels throughout the fiscal year.

Related Noncompliance

Unable to determine compliance related to Matching, Level of Effort, and Earmarking and Reporting due to a scope limitation issued related to these compliance requirements. (Also see Finding 2012-130)

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with the finding regarding lack of efficient compliance monitoring and reporting controls to ensure that Maintenance of Effort (MOE) requirements are being met. In the prior year's corrective actions for this same finding, DOH implemented a general process for on-going review of MOE levels, but it was not fully supported with policies and procedures for conducting those reviews and ensuring that quarterly reports were produced for internal review. Moving forward, corrective actions will address interagency controls and procedures for the reviews to include determination of protocol for documentation and for intra-agency, cross-agency and EMA/jurisdictional participation. DOH commits to an overhaul of internal compliance monitoring procedures to address this control deficiency. Specific corrective actions will include recruitment of personnel to fill key management vacancies for fiscal monitoring and grants management.

<i>Finding Number</i>	2012-132
<i>Prior Year Finding Number</i>	NA
<i>Federal Program</i>	HIV Emergency Relief Projects Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-22-00 (3/1/12-2/28/13) H89HA00012-21-04 (3/1/11-2/29/12)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Procurement and Suspension and Debarment
<i>Finding Related to ARRA</i>	No

Criteria

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

Condition

Per 2 CFR part § 180.425 **When do I check to see if a person is excluded or disqualified?** As a Federal agency official, you must check to see if a person is excluded or disqualified before you— (a) Enter into a primary tier covered transaction; (b) Approve a principal in a primary tier covered transaction; (c) Approve a lower tier participant if your agency’s approval of the lower tier participant is required; or (d) Approve a principal in connection with a lower tier transaction if your agency’s approval of the principal is required.

Condition

We selected eight subrecipients to test DOH’s compliance with suspension and debarment. Based on our testing, we determined that DOH did not complete a verification check for 1 of the 8 subrecipient to ensure the subrecipient was not suspended or debarred per the Excluded Parties List System until after the Notice of Grant Award (NOGA) was executed.

Cause

DOH did not have adequate controls in place over the Suspension/Debarment requirements.

Effect

DOH was not able to demonstrate compliance with the suspension/debarment compliance requirements.

Recommendation

We recommend that DOH strengthen its internal controls to ensure that the suspension/debarment compliance requirements are met.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding regarding the condition of a sole exception noted in the review of eight subgrants for DOH compliance with rules for suspension and debarment. However, an important note is that DOH has and does comply with federal pass-through requirements to ensure that all recipients of federal funds are not excluded parties on federal and local registries.

DOH Office of Grants Management has in place a multi-tiered process for review of excluded parties list searches (EPLS) and documentation of pre-award EPLS review, certification of that review by a senior manager and senior fiscal officer. Documentation of excluded parties searches includes date of search and clearance, documentation of a search of executives and all known agency names. EPLS searches are required for prior to the original issuance of an award and for any continuation. Documentation is submitted to the DOH Office of Grants Management by the respective DOH Administration/program unit via hardcopy and electronic attachment to all requisitions, purchase orders and modifications. The EPLS is certified by the Senior Deputy Director, DOH Grants Chief and the DOH Director.

DOH will immediately review the sole incident for determination of whether the breach in protocol was due to human error, lost documentation or a systemic control issue. Any matter will be addressed with additional staff training and options for internal compliance monitoring, including file reviews and centralizing for EPLS documentation.

<i>Finding Number</i>	2012-133
<i>Prior Year Finding Number</i>	2011-82
<i>Federal Program</i>	HIV Emergency Relief Project Grants (93.914)
<i>Federal Award Number</i>	H89HA00012-22-00 (3/1/12-2/28/13) H89HA00012-21-04 (3/1/11-2/29/12)
<i>Federal Agency</i>	Department of Health and Human Services
<i>District Department</i>	Department of Health (DOH)
<i>Compliance Requirement</i>	Subrecipient Monitoring
<i>Finding Related to ARRA</i>	No

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

45 CFR 92.40(a) states “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.”

31 USC 7502(f)(2)(B) states that “each pass-through entity shall Monitor the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means” to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

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

Condition

During our testwork over subrecipient monitoring we noted there was a total of 25 subrecipients during FY 2012. To ensure the subrecipients are complying with the requirements of the grant, DOH performs two site visits for each subrecipient selected for monitoring: a program site visit and a grant site visit (i.e. financial site visit). We selected a sample of 8 subrecipients to test controls and compliance with subrecipient monitoring requirements and noted the following:

- For one subrecipient, a grant site visit was not performed.
- For one subrecipient, DOH did not perform a complete site visit. Specifically, DOH did not review a sample of program participants to ensure their eligibility was properly determined by the subrecipient.
- For one subrecipient, DOH did not issue a management decision of audit findings within six months after receipt of their audit report.

- For three subrecipients, DOH did not document when the audit reports were received.
- For one subrecipient, DOH did not maintain adequate documentation to evidence the grant site visit report was approved by the Bureau Chief of Grant Management and Fiscal Control.
- For one subrecipient, the grant site visit was not reviewed and approved by the Bureau Chief of Grant Management and Fiscal Control in a timely manner; the report was approved six months after the site visit.

Cause

Controls were not operating effectively to ensure that the District is in compliance with the subrecipient monitoring compliance requirement.

Effect

The District was not in compliance with the subrecipient monitoring compliance requirement for the HIV Emergency Relief program.

Recommendation

We recommend that management implement monitoring controls to periodically review site visits to ensure they are performed, complete, properly reviewed, and findings are followed up in a timely manner and that DOH personnel are adhering to existing policies and procedures related to grant visits.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The Department of Health (DOH) concurs with this finding regarding sub-recipient monitoring for Housing Opportunities for Persons with HIV/AIDS (HOPWA) subgrants. DOH seeks to adhere fully to federal pass-through and local requirements for monitoring DOH-issued grant awards. In response to this finding, DOH will immediately issue management protocols for oversight of monitoring plans, site visit schedules, on-site review protocols and reports. This immediate action will address deficiencies in oversight of activities of program monitors and grants management specialists for whom site visits should be a primary activity to facilitate review of performance, compliance and technical assistance needs of DOH's grantee-partners.

The DOH Office of Grants Management will continue to revamp and re-issue existing policies and procedures, to develop uniform tools and increase skills and competency of DOH personnel. Specific activities underway in FY 13 are a DOH Site Visit Workgroup and a skills-building training series targeting program, fiscal and grants specialists. DOH accepts the recommendations of the NFR as a part of a comprehensive plan to ensure that every grant issued has a pre-award risk/capacity-assessment, a risk-based monitoring plan, site visits and desk-review schedules and reports of progress and performance on record.

<i>Finding Number</i>	2012-134
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Rail and Transit Security Grant Program (97.075)
<i>Federal Award Number</i>	7TSGP551-03 2007
<i>Federal Agency</i>	Department of Homeland Security
<i>District Department</i>	Homeland Security Emergency Management Agency (HSEMA)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

Per 31 CFR:

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District's CMIA Agreement with the U.S. Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns, which follows:

CFDA#97.075:

Recipient: Homeland Security Emergency Management Agency

% of Funds the Agency receives: 97

Component: Program Payments

Technique: Actual Costs – Actual Cost- Modified Clearance

Average Days of Clearance: 7 days

Recipient: Homeland Security Emergency Management Agency

% of Funds the Agency receives: 3

Component: Administrative Costs

Technique: Actual Cost- Modified Clearance

Average Days of Clearance: 7 days

Condition

In fiscal year 2012, the District of Columbia's (the District) Rail and Transit Security Grant Program (TSGP) as operated by the Homeland Security Emergency Management Agency (HSEMA) drew down cash on a weekly basis. During our testwork over a sample of twenty five (25) program expenditures totaling \$16,872,063 we noted that for one (1) expenditure totaling \$273,368, HSEMA was not in compliance with the Cash Management Improvement Act (CMIA) Agreement with the U.S. Department of Treasury (the Agreement) with respect to the TSGP. Specifically, we noted that this expenditure was requested for reimbursement before the 7 day clearance pattern from the date the expenditure was paid set forth in the Agreement, resulting in the funds being received from the Department of Treasury (Treasury) before the 7 day clearance pattern and interest being due to Treasury in the amount of \$0.45.

Cause

HSEMA performed weekly drawdowns for TSGP in FY 2012 but didn't implement adequate controls to ensure full compliance with the CMIA Agreement with Treasury.

Effect

The District was non-compliant with the CMIA Agreement with Treasury.

Recommendation

We recommend that HSEMA strengthen its internal controls to ensure compliance with applicable cash management requirements and the CMIA Agreement with Treasury.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

We will ensure that internal controls related to CMIA cash drawdowns are complied with fully. Attached is the fiscal year 2012 schedule of drawdowns for the Rail and Transit Security Grant, which reflects only one of 81 transactions as being received early from the US Treasury.

<i>Finding Number</i>	2012-135
<i>Prior Year Finding Number</i>	NA
<i>Federal Program</i>	Homeland Security Grant Program (97.067)
<i>Grant Award # and Year</i>	2008-RL-T8-K003, 2007-RL-T7-K009, 7TSGP551-03
<i>Federal Agency</i>	Department of Homeland Security (DHS)
<i>District Department</i>	Homeland Security Emergency Management Agency (HSEMA)
<i>Compliance Requirement</i>	Cash Management
<i>Finding Related to ARRA</i>	No

Criteria

Per 31 CFR:

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to: All States as defined in § 205.2;

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

Per the District's CMIA Agreement with the U.S. Department of Treasury:

6.1.2: The state shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II – List of State Clearance Patterns, which follows:

CFDA#97.067:

Recipient: Homeland Security Emergency Management Agency

% of Funds the Agency receives: 97

Component: Program Payments

Technique: Actual Costs – Actual Cost- Modified Clearance

Average Days of Clearance: 7 days

Recipient: Homeland Security Emergency Management Agency

% of Funds the Agency receives: 3

Component: Administrative Costs

Technique: Actual Cost- Modified Clearance

Average Days of Clearance: 7 days

Condition

In fiscal year 2012, the District of Columbia's (the District) Homeland Security Grant Program (HSGP) as operated by the Homeland Security Emergency Management Agency (HSEMA) drew down cash on a weekly basis. During our testwork over a sample of twenty five (25) program expenditures totaling \$13,564,948 we noted that for two (2) expenditures totaling \$2,485,663, HSEMA was not in compliance with the Cash Management Improvement Act (CMIA) Agreement with the U.S. Department of Treasury (the Agreement) with respect to the HSGP. Specifically, we noted that these expenditures were requested for reimbursement before the 7 day clearance pattern from the date the expenditure was paid set forth in the Agreement, resulting in the funds being received from the Department of Treasury (Treasury) before the 7 day clearance pattern and interest being due to Treasury in the amount of \$4.72.

Cause

HSEMA performed weekly drawdowns for HSGP in FY 2012 but did not implement adequate controls to ensure full compliance with the CMIA Agreement with Treasury.

Effect

The District was non-compliant with the CMIA Agreement with Treasury.

Recommendation

We recommend that HSEMA strengthen its internal controls to ensure compliance with applicable cash management requirements and the CMIA Agreement with Treasury.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

We agree that weekly drawdowns should be performed in accordance with the CMIA agreement with Treasury. We will ensure that CMIA requirements are adhered to fully.

<i>Finding Number</i>	2012-136
<i>Prior Year Finding Number</i>	N/A
<i>Federal Program</i>	Homeland Security Grant Program (97.067)
<i>Federal Award Number</i>	EMW-2011-SS-00093, 2010-SS-T0-0010, 2009-SS-T9-0085
<i>Federal Agency</i>	Department of Homeland Security
<i>District Department</i>	Homeland Security Emergency Management Agency (HSEMA)
<i>Compliance Requirement</i>	Equipment and Real Property Management
<i>Finding Related to ARRA</i>	No

Criteria

Local governments follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Each Federal agency has separately codified the requirements of the A-102 Common Rule into the Code of Federal Regulations (CFR). The A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Additionally, per section 10302000.60 of the *District of Columbia Financial Policies and Procedures Manual*: “OFOS will conduct a physical inventory of personal property capital assets biennially (every 2 years) to ensure that adequate care is used in the control and accountability of District assets.”

Condition

We noted that the District of Columbia (the District) lacks sufficient controls to properly account for equipment acquired under Federal awards through completion of a regularly conducted physical inventory count. The District last performed a physical inventory in FY 2010 and was scheduled to conduct one in FY 2012; however, the inventory was not completed as scheduled. Additionally, we noted that an inventory of Federally-funded equipment purchases was not otherwise completed by HSEMA for the Homeland Security Grant Program in FY 2011 or FY 2012. In our inventory testwork of 40 equipment items we noted the following:

- For seven (7) of forty (40) items we noted that the tag number was incorrectly recorded.

Cause

The District did not follow its internal procedures to conduct an inventory count every two years as the Office of Financial Operations and Systems (OFOS) did not timely procure a vendor to perform such a count by fiscal year-end. Additionally, HSEMA does not have controls in place to ensure that an inventory count is performed over equipment purchased with Homeland Security Grant funds at least every two years and the equipment is properly maintained and tagged.

Effect

Because the District did not adhere to internal policies and procedures, the Homeland Security Grant Program as operated by the HSEMA of the District was non-compliant with Federal equipment and real property management compliance requirements.

Recommendation

We recommend that HSEMA strengthen its internal policies and procedures to ensure that a physical inventory count is performed at least once every two years over equipment purchased with Homeland Security Grant funds to ensure that the inventory records are complete and accurate, and to ensure compliance with Federal regulations.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DC HSEMA concurs with the auditors' suggestion that the DC Office of Financial Operations and Systems (OFOS) should conduct the inventory count as required by law. OFOS has stated that a District-wide physical inventory will take place within the next 3 months.

Each component agency within DC government is responsible for keeping its own inventory and reporting annually to the DC Office of the Chief Financial Officer (OCFO) cluster on equipment added or removed during the year. DC HSEMA and the other public safety agencies under the Public Safety and Justice cluster performed these annual equipment checks and reports as required by the OCFO for the equipment that is under their control.

Regarding the 5 individual pieces of equipment inspected at DC HSEMA that had incorrect equipment tags: DC HSEMA concurs that these items were not tagged correctly according to DC HSEMA inventory standards. The agency will revise equipment tagging procedures to ensure that the correct equipment tags are applied and the numbers are reported to the OCFO for inclusion in the Fixed Asset System (FAS). DC HSEMA will re-tag the 5 items that were not tagged correctly and will revise the FAS entry for these items to reflect the correct agency equipment tag numbers.

Regarding the 2 individual pieces of equipment inspected at DC Office of Unified Communications (OUC) that had equipment numbers that did not match the FAS report: these radios were purchased by OUC and the serial numbers were correctly recorded in FAS initially, but the agency required the vendor to replace the radios with new units as the original pieces did not meet the required standards. OUC's agency-level inventory correctly reflects the change in serial numbers for the replacement radios, but FAS was not updated yet at the time of the audit inspection. OUC is working with OCFO to update FAS to reflect the correct equipment numbers now.