

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Audit of Federal Awards Programs

Year ended September 30, 2004

(With Independent Auditors' Reports Thereon)

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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

The Mayor and Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia:

We have audited the basic financial statements of the Government of the District of Columbia (District) as of and for the year ended September 30, 2004, and have issued our report thereon dated January 24, 2005, which referred to the adoption of new accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are listed below and described in greater detail in findings 04-01 and 04-02.

- I. Management of Disability Compensation Program
- II. Unemployment Compensation Claimant File Management

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



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 an instance of noncompliance related to compliance with District procurement regulations that is required to be reported under *Government Auditing Standards* and is described in greater detail in finding 04-03.

We also noted certain additional matters that we will report to District management in a separate management letter. The status of prior year reportable conditions and instance of material noncompliance are presented below:

Nature of Comment	Type of Comment in FY 2003	Current Year Status
Expenditures in excess of budgetary authorization	Material Noncompliance	Closed
Health Care Safety Net Administration Contract Administration	Material Weakness	Management Letter Comment
District Medicaid Provider Contract Administration	Material Weakness	Reportable Condition at the District Agency (DCPS) level only
Human Resources/Payroll Process Management	Reportable Condition	Management Letter Comment
Unemployment Compensation Claimant File Management	Reportable Condition	Reportable Condition

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

KPMG LLP

January 24, 2005



KPMG LLP
2001 M Street, NW
Washington, DC 20036

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

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

Compliance

We have audited the compliance of the Government of the District of Columbia (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004, except its compliance with those requirements discussed in the third following paragraph. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The Schedules of Expenditures of Federal Awards (Schedules) and our audit described below do not include expenditures of Federal awards for the District of Columbia Water and Sewer Authority and the District of Columbia Housing Finance Agency. Both of these component units of the District have their own independent audit performed in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Except as discussed in the following paragraph, 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, *Audits of States, Local Governments and Non-profit Organizations*, 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.



We were unable to obtain sufficient documentation supporting the compliance of the District with the compliance requirements of certain of its major federal programs nor were we able to satisfy ourselves as to the District's compliance with those requirements by other auditing procedures. These programs' compliance requirements and the related findings in the accompanying schedule of findings and questioned costs are:

Program/CFDA No.	Compliance requirement
Title I/84.010	Special Tests and Provisions – Comparability
HIV Prevention Grant/93.940	Reporting

As described in the findings (listed below) in the accompanying schedule of findings and questioned costs, the District did not comply with certain other requirements applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs. These programs' compliance requirements and the related findings are:

Program/CFDA No.	Finding No.	Compliance requirement
Community Development Block Grant/14.218	04-04	Allowable Costs
Community Development Block Grant/14.218	04-05	Allowable Costs
Byrne Formula Grant/16.579	04-06	Allowable Costs
Local Law Enforcement Block Grant/16.592	04-07	Allowable Costs
Title I/84.010	04-12	Allowable Costs
Improving Teacher Quality/84.367	04-12	Allowable Costs
Special Education Cluster/84.027 and 84.173	04-12	Allowable Costs
Title I/84.010	04-24	Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals
Child Support Enforcement/93.563	04-27	Allowable Costs
Child Support Enforcement/93.563	04-29	Eligibility
Child Support Enforcement/93.563	04-31	Special Tests and Provisions – Establishment of Paternity and Support Obligations
Child Support Enforcement/93.563	04-32	Special Tests and Provisions – Enforcement of Support Obligations
Child Support Enforcement/93.563	04-33	Special Tests and Provisions – Securing and Enforcement of Medical Obligations
Child Support Enforcement/93.563	04-34	Special Tests and Provisions – Interstate Cases
Low Income Home Energy Assistance Program	04-36	Reporting
Foster Care/93.658	04-38	Eligibility
Housing Opportunities for People with AIDS/14.241	04-41	Reporting
Public Health and Social Services Emergency Fund/93.003	04-43	Equipment and Real Property Management
Investigative and Technical Assistance Grant/93.283	04-46	Equipment and Real Property Management
Block Grant for Prevention and Treatment of Substance Abuse/93.959	04-62	Level of Effort/Earmarking



Program/CFDA No.	Finding No.	Compliance requirement
Block Grant for Prevention and Treatment of Substance Abuse/93.959	04-66	Special Tests and Provisions – Independent Peer Review
Maternal and Child Health Services Block Grant/93.994	04-69	Earmarking
Maternal and Child Health Services Block Grant/93.994	04-71	Reporting
Urban Area Security Initiative/97.008	04-75	Sub-recipient Monitoring

In our opinion, except for the noncompliance described in the preceding paragraph and except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient audit evidence regarding compliance with the requirements described in the second preceding paragraph, the District complied, in all material respects, with the requirements referred to in the first paragraph of this report that are applicable to each of its major federal programs for the year ended September 30, 2004, other than those discussed in the following paragraph.

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

Program/CFDA No.	Finding No.	Compliance requirement
Crime Victim Assistance (16.575)	04-08	Allowable Costs
Youth Opportunity Grant (17.263)	04-10	Cash Management
Title I/84.010	04-16	Equipment and Real Property Management
Title I Reading First/84.357	04-16	Equipment and Real Property Management
Title I (84.010)	04-20	Reporting
Title I (84.010)	04-21	Sub-recipient Monitoring
Improving Teacher Quality (84.367)	04-21	Sub-recipient Monitoring
Special Education Cluster (84.027/84.173)	04-21	Sub-recipient Monitoring
Child Support Enforcement (93.563)	04-30	Procurement, Suspension and Debarment
Housing Opportunities for People with AIDS (14.241)	04-42	Sub-recipient Monitoring
HIV Emergency Relief Project Grants (93.914)	04-51	Level of Effort/Earmarking
HIV Emergency Relief Project Grants (93.914)	04-53	Sub-recipient Monitoring
HIV Care Formula Grants (93.917)	04-57	Sub-recipient Monitoring
HIV Prevention Grant (93.940)	04-61	Sub-recipient Monitoring
Block Grants for Prevention and Treatment of Substance Abuse (93.959)	04-65	Sub-recipient Monitoring
Maternal and Child Health Services Block Grant (93.994)	04-72	Sub-recipient Monitoring
Urban Area Security Initiative (97.008)	04-74	Reporting

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over



compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

Program/CFDA No.	Finding No.	Compliance requirement
Community Development Block Grant/14.28	04-04	Allowable Costs
Community Development Block Grant/14.218	04-05	Allowable Costs
Byrne Formula Grant/16.579	04-06	Allowable Costs
Local Law Enforcement Block Grant/16.592	04-07	Allowable Costs
Crime Victim Assistance/16.575	04-08	Allowable Costs
Unemployment Insurance/17.225	04-09	Cash Management
Highway Planning and Construction/20.205	04-11	Davis-Bacon Act
Title I/84.010	04-12	Allowable Costs
Improving Teacher Quality/84.367	04-12	Allowable Costs
Special Education Cluster/84.027 and 84.173	04-12	Allowable Costs
Head Start/93.600	04-12	Allowable Costs
Title I/84.010	04-13	Allowable Costs
Improving Teacher Quality/84.367	04-13	Allowable Costs
Special Education Cluster/84.027 and 84.173	04-13	Allowable Costs
Title I Reading First/84.357	04-14	Allowable Costs
Improving Teacher Quality/84.367	04-14	Allowable Costs
Special Education Cluster/84.027 and 84.173	04-14	Allowable Costs
Title I/84.010	04-15	Allowable Costs
Improving Teacher Quality/84.367	04-15	Allowable Costs
Title I Reading First/84.357	04-15	Allowable Costs
Title I/84.010	04-16	Equipment and Real Property Management
Title I Reading First/84.357	04-16	Equipment and Real Property Management
Special Education Cluster/84.027 and 84.173	04-17	Level of Effort
Special Education Cluster/84.027 and 84.173	04-18	Allowable Costs
Title I/84.010	04-19	Procurement, Suspension and Debarment
Improving Teacher Quality/84.367	04-19	Procurement, Suspension and Debarment
Special Education Cluster/84.027 and 84.173	04-19	Procurement, Suspension and Debarment
Head Start/93.600	04-19	Procurement, Suspension and Debarment
Title I Reading First/84.357	04-19	Procurement, Suspension and Debarment
Title VI/84.369	04-19	Procurement, Suspension and Debarment
Title I/84.010	04-20	Reporting



Program/CFDA No.	Finding No.	Compliance requirement
Title I/84.010	04-21	Sub-recipient Monitoring
Improving Teacher Quality/84.367	04-21	Sub-recipient Monitoring
Special Education Cluster/84.027 and 84.173	04-21	Sub-recipient Monitoring
Title I/84.010	04-24	Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals
Vocational Rehabilitation/86.126	04-25	Eligibility
Child Care Cluster/93.596	04-26	Eligibility
Child Support Enforcement/93.563	04-27	Allowable Costs
Child Support Enforcement/93.563	04-29	Eligibility
Child Support Enforcement/93.563	04-30	Procurement, Suspension and Debarment
Child Support Enforcement/93.563	04-31	Special Tests and Provisions – Establishment of Paternity and Support Obligations
Child Support Enforcement/93.563	04-32	Special Tests and Provisions – Enforcement of Support Obligations
Child Support Enforcement/93.563	04-33	Special Tests and Provisions – Securing and Enforcement of Medical Obligations
Child Support Enforcement/93.563	04-34	Special Tests and Provisions – Interstate Cases
Low Income Home Energy Assistance Program/93.568	04-36	Reporting
Foster Care/93.658	04-37	Eligibility
Foster Care/93.658	04-38	Eligibility
Housing Opportunities for People with AIDS/14.241	04-39	Allowable Costs
Housing Opportunities for People with AIDS/14.241	04-40	Earmarking
Housing Opportunities for People with AIDS/14.241	04-41	Reporting
Housing Opportunities for People with AIDS/14.241	04-42	Sub-recipient Monitoring
Public Health and Social Services Emergency Fund/93.003	04-43	Equipment and Real Property Management
Public Health and Social Services Emergency Fund/93.003	04-44	Procurement, Suspension and Debarment
Investigations and Technical Assistance/93.283	04-45	Allowable Costs
Investigations and Technical Assistance/93.283	04-46	Equipment and Real Property Management
Investigations and Technical Assistance/93.283	04-47	Procurement, Suspension and Debarment
Medicaid/93.778	04-48	Allowable Costs
HIV Emergency Relief Project Grants/93.914	04-50	Allowable Costs
HIV Emergency Relief Project Grants/93.914	04-51	Level of Effort/Earmarking
HIV Emergency Relief Project Grants/93.914	04-52	Procurement, Suspension and Debarment
HIV Emergency Relief Project Grants/93.914	04-53	Sub-recipient Monitoring



Program/CFDA No.	Finding No.	Compliance requirement
HIV Care Formula Grants/93.917	04-54	Allowable Costs
HIV Care Formula Grants/93.917	04-55	Matching/Earmarking
HIV Care Formula Grants/93.917	04-56	Procurement, Suspension and Debarment
HIV Care Formula Grants/93.917	04-57	Sub-recipient Monitoring
HIV Prevention Grant/93.940	04-58	Allowable Costs
HIV Prevention Grant/93.940	04-59	Procurement, Suspension and Debarment
HIV Prevention Grant/93.940	04-61	Sub-recipient Monitoring
Block Grant for Prevention and Treatment of Substance Abuse/93.959	04-62	Level of Effort/Earmarking
Block Grant for Prevention and Treatment of Substance Abuse/93.959	04-63	Procurement, Suspension and Debarment
Block Grant for Prevention and Treatment of Substance Abuse/93.959	04-65	Sub-recipient Monitoring
Block Grant for Prevention and Treatment of Substance Abuse/93.959	04-66	Special Tests and Provisions – Independent Peer Review
Maternal and Child Health Services Block Grant/93.994	04-67	Allowable Costs
Maternal and Child Health Services Block Grant/93.994	04-68	Allowable Costs
Maternal and Child Health Services Block Grant/93.994	04-69	Earmarking
Maternal and Child Health Services Block Grant/93.994	04-70	Procurement, Suspension and Debarment
Maternal and Child Health Services Block Grant/93.994	04-71	Reporting
Maternal and Child Health Services Block Grant/93.994	04-72	Sub-recipient Monitoring
Urban Area Security Initiative/97.008	04-74	Reporting
Urban Area Security Initiative/97.008	04-75	Sub-recipient Monitoring

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

Program/CFDA No.	Finding No.	Compliance requirement
Community Development Block Grant/14.218	04-04	Allowable Costs
Community Development Block Grant/14.218	04-05	Allowable Costs
Byrne Formula Grant/16.579	04-06	Allowable Costs
Local Law Enforcement Block Grant/16.592	04-07	Allowable Costs
Title I/84.010	04-12	Allowable Costs
Improving Teacher Quality/84.367	04-12	Allowable Costs
Special Education Cluster/84.027 and 84.173	04-12	Allowable Costs



Program/CFDA No.	Finding No.	Compliance requirement
Title I/84.010	04-13	Allowable Costs
Improving Teacher Quality/84.367	04-13	Allowable Costs
Special Education Cluster/84.027 and 84.173	04-13	Allowable Costs
Title I/84.010	04-15	Allowable Costs
Improving Teacher Quality/84.367	04-15	Allowable Costs
Title I Reading First/84.357	04-15	Allowable Costs
Title I/84.010	04-24	Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals
Vocational Rehabilitation/86.126	04-25	Eligibility
Child Care Cluster/93.596	04-26	Eligibility
Child Support Enforcement/93.563	04-27	Allowable Costs
Child Support Enforcement/93.563	04-29	Eligibility
Child Support Enforcement/93.563	04-31	Special Tests and Provisions – Establishment of Paternity and Support Obligations
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Public Health and Social Services Emergency Fund/93.003	04-43	Equipment and Real Property Management
Investigations and Technical Assistance/93.283	04-46	Equipment and Real Property Management
Block Grant for Prevention and Treatment of Substance Abuse/93.959	04-62	Level of Effort/Earmarking
Block Grant for Prevention and Treatment of Substance Abuse/93.959	04-66	Special Tests and Provisions – Independent Peer Review
Maternal and Child Health Services Block Grant/93.994	04-68	Allowable Costs
Maternal and Child Health Services Block Grant/93.994	04-69	Earmarking
Urban Area Security Initiative/97.008	04-75	Sub-recipient Monitoring

Schedule of Expenditures of Federal Awards

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of expenditures of federal awards (Schedules I and II) for the District are presented for purposes of additional analysis as required by OMB Circular A-133, and are not a required part of the basic financial statements. These schedules have been subjected to the auditing



procedures applied in an audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

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

KPMG LLP

October 10, 2005

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by Federal Grantor
 Year ended September 30, 2004

Federal Agency / Program	CFDA No.	Federal Expenditures
U.S. Department of Agriculture:		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 34,227
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	703,021
Initiative for Future Agriculture and Food Systems	10.302	15,050
Integrated Programs	10.303	76,404
Cooperative Extension Service	10.500	941,818
Food Stamps	10.551	981,200
School Breakfast Program	10.553	3,854,349
National School Lunch Program	10.555	14,774,872
Special Milk Program for Children	10.556	6,431
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	13,159,569
Child and Adult Care Food Program	10.558	3,390,035
Summer Food Service Program for Children	10.559	1,789,646
State Administrative Expenses for Child Nutrition	10.560	418,031
State Administrative Matching Grants for Food Stamp Program	10.561	10,445,876
Commodity Supplemental Food Program	10.565	447,667
Emergency Food Assistance Program (Administrative Costs)	10.568	141,782
WIC Farmers' Market Nutrition Program (FMNP)	10.572	87,693
Senior Farmers Market Nutrition Program	10.576	156,399
Cooperative Forestry Assistance	10.664	186,232
Total U.S. Department of Agriculture		51,610,302
U.S. Department of Commerce:		
Chesapeake Bay Studies	11.457	98,541
Atlantic Coastal Fisheries Cooperative Management Act	11.474	25,665
Technology Opportunities	11.552	138,098
Total U.S. Department of Commerce		262,304
U.S. Department of Defense:		
Emergency Preparedness Funding	12.000	15,117,330
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	368,037
National Guard Military Operations and Maintenance (O&M) Projects	12.401	787,637
Total U.S. Department of Defense		16,273,004
U.S. Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	36,062,447
Emergency Shelter Grants Program	14.231	1,744,681
Historically Black Colleges and Universities Program	14.237	294
1997 Shelter Plus Care A/R	14.238	(62,189)
HOME Investment Partnerships Program	14.239	3,426,804
Housing Opportunities for Persons with AIDS	14.241	13,269,078
Fair Housing Assistance Program-State and Local	14.401	407,857
Fair Housing Assistance Program	14.408	96,490
Fair Housing Initiative Program (FHIP) Education and Outreach Initiative	14.409	34,886
Lead-based Paint Hazard Control in Privately-owned Housing	14.900	143,116
Total U.S. Department of Housing and Urban Development		55,123,464
U.S. Department of the Interior:		
Sport Fish Restoration	15.605	733,319
State Wildlife Grant	15.634	58,226
Assistance to State Water Resources Research Institutes	15.805	3,054
Historic Preservation Fund Grants-In-Aid	15.904	467,738
Outdoor Recreation-Acquisition, Development and Planning	15.916	308,339
Urban Park and Recreation Recovery Program	15.919	119,091
Rivers, Trails and Conservation Assistance	15.921	18,309
Assistance to State Water Resources Research Institutes	15.952	76,258
Total U.S. Department of the Interior		1,784,334

(Continued)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by Federal Grantor
 Year ended September 30, 2004

Federal Agency / Program	CFDA No.	Federal Expenditures
U.S. Department of Justice:		
Money Laundering Initiative	16.000	\$ 11,999
Firearms Trafficking Task Force	16.000	(11,402)
Metro Area Fraud Task Force	16.000	13,760
CIA National Imagery Mapping Agency	16.000	124,852
DEA Main Program	16.000	48,411
Drug Interdiction	16.000	22,903
Safe Street/Homicide Major Case	16.000	45,910
Investigators for Sex Offense	16.000	29,427
Arson and Explosive Task Force	16.000	20,518
Violent Vehicle Task Force	16.000	(872)
Vehicle Initiative Task Force	16.000	113,292
Asset Forfeiture	16.000	595,431
State Domestic Preparedness Equipment Support Program	16.007	92,501
Offender Re-entry Program	16.202	62,501
Juvenile Accountability Incentive Block Grants	16.523	784,076
Election Assistance for Individ. With Disabilities	16.530	22,517
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	380,143
Title V Delinquency Prevention Program	16.548	98,188
Part E State Challenge Activities	16.549	175,000
National Criminal History Improvement Program (NCHIP)	16.554	134,086
State Criminal Alien Assistance Program	16.572	131,957
Crime Victim Assistance	16.575	1,384,572
Byrne Formula Grant Program	16.579	1,778,745
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	10,470,849
Violence Against Women Discretionary Grants for Indian Tribal Governments	16.587	2,066,871
Grants to Encourage Arrest Policies	16.590	428,864
Local Law Enforcement Block Grants Program	16.592	2,300,489
Residential Substance Abuse Treatment for State Prisoners	16.593	89,413
Weed and Seed Administration	16.595	273,780
Public Safety Partnership and Community Policing Grants	16.710	7,274,210
Enforcing Underage Drinking Laws Program	16.727	653,022
Drug Prevention Program	16.728	(52,973)
National Incident Based Reporting System (NIBRS)	16.733	490,000
Total U.S. Department of Justice		30,053,040
U.S. Department of Labor:		
Labor Force Statistics	17.002	688,474
Compensation and Working Conditions	17.005	44,410
Employment Service	17.207	3,415,057
Unemployment Insurance	17.225	20,352,711
Senior Community Service Employment Program	17.235	769,584
Welfare-to-Work Grants to States and Localities	17.253	868,826
One-stop Career Center Initiative	17.257	69,676
WIA Adult Program	17.258	4,262,990
WIA Youth Activities	17.259	3,367,226
WIA Dislocated Workers	17.260	5,270,934
Employment and Training Administration Pilots, Demonstrations and Research Projects	17.261	597,492
Youth Opportunity Grants	17.263	8,169,352
Workforce Employment and Training	17.266	169,774
Consultation Agreements	17.504	450,000
Disabled Veterans' Outreach Program (DVOP)	17.801	168,000
Local Veterans' Employment Representative Program	17.804	272,000
Total U.S. Department of Labor		48,936,506
U.S. Department of Transportation:		
Boating Safety Financial Assistance	20.005	588,557
Highway Planning and Construction	20.205	137,705,131
Motor Carrier Safety	20.217	473,348
National Motor Carrier Safety	20.218	706,235

(Continued)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by Federal Grantor
 Year ended September 30, 2004

Federal Agency / Program	CFDA No.	Federal Expenditures
Federal Transit – Metropolitan Planning Grants	20.505	\$ 322,868
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	367,737
State and Community Highway Safety	20.600	923,211
Federal Highway Safety Data Improvements Incentive Grant:	20.603	12,054
Pipeline Safety	20.700	77,809
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	73,484
Total U.S. Department of Transportation		141,250,434
U.S. Department of the Treasury:		
State Aid Fund (Tax Relief Act)	21.000	24,524,731
Total U.S. Department of the Treasury		24,524,731
Equal Employment Opportunity Commission		
Equal Employment Opportunity	30.002	88,700
Total Equal Employment Opportunity Commission		88,700
Library of Congress:		
Library of Congress Publications	42.005	286
Total Library of Congress		286
National Aeronautics and Space Administration		
Aerospace Education Services Program	43.001	63,017
Total National Aeronautics and Space Administration		63,017
National Endowment for the Arts:		
Promotion of the Arts-Partnership Agreements	45.025	517,792
State Library Program	45.310	598,204
Total National Endowment for the Arts		1,115,996
Environmental Protection Agency:		
Air Pollution Control Program Support	66.001	803,882
State Indoor Radon Grants	66.032	146,128
Water Pollution Control-State and Interstate Program Support	66.419	1,152,708
Construction Management Assistance	66.438	67,748
Water Quality Management Planning	66.454	83,454
Nonpoint Source Implementation Grants	66.460	830,470
Chesapeake Bay Program	66.466	600,804
Capitalization Grants for Safe Drinking Water State Revolving Fund	66.468	29,636
Performance Partnership Grants	66.605	263,565
Surveys, Studies, Investigations and Special Purpose Grants	66.606	150,894
TSCA Title IV State Lead Grants–Certification of Lead Based Paint Professionals	66.707	(35,495)
Pollution Prevention Grants Program	66.708	33,350
Hazardous Waste Management State Program Support	66.801	269,507
State and Tribal Underground Storage Tanks Program	66.804	194,787
Leaking Underground Storage Tank-Trust Fund Program	66.805	350,514
Sunperfund State and Indian Tribe Core Program_Cooperative Agreements	66.809	84,217
Brownfield Job Training Cooperative Agreements	66.815	149,524
State & Tribal Response Program Grants	66.817	484,791
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	22,119
Total Environmental Protection Agency		5,682,603
U.S. Department of Energy:		
National Energy Information Center	81.039	6,920
State Energy Program	81.041	298,489
Weatherization Assistance for Low-Income Persons	81.042	694,300
Energy Efficiency Renewable Energy Informatior	81.117	1,550
State Energy Program-Special Projects	81.119	284,690
Total U.S. Department of Energy		1,285,949

(Continued)

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Expenditures of Federal Awards – by Federal Grantor

Year ended September 30, 2004

Federal Agency / Program	CFDA No.	Federal Expenditures
Federal Emergency Management Agency:		
Individual and Family Grants	83.543	\$ (64,326)
Citizen Corps	83.564	180,298
Total Federal Emergency Management Agency:		<u>115,972</u>
U.S. Department of Education:		
Adult Education-State Grant Program	84.002	1,677,526
Federal Supplemental Education Opportunity Grants	84.007	619,608
Title I Grants to Local Educational Agencies	84.010	43,671,067
Migrant Education-State Grant Program	84.011	535,577
Title I Program for Neglected and Delinquent Children	84.013	101,733
Special Education-Grants to States	84.027	12,444,898
Higher Education-Institution Aid	84.031	2,774,433
Federal Work-Study Program	84.033	985,021
Federal Perkins Loan - Federal Capital Contributions	84.038	1,437,646
Impact Aid	84.041	1,702,520
TRIO-Student Support Services	84.042	480,017
TRIO-Talent Search	84.044	381,124
TRIO-Upward Bound	84.047	466,751
Vocational Education-Basic Grants to States	84.048	3,501,403
Federal Pell Grant Program	84.063	4,219,778
Minority Science and Engineering Improvement	84.120	91,603
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	12,506,562
Rehabilitation Services-Client Assistance Program	84.161	135,697
Independent Living-State Grants	84.169	275,067
Special Education-Preschool Grants	84.173	452,395
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	214,000
Special Education-Grants for Infants and Families with Disabilities	84.181	1,971,648
Safe and Drug-Free Schools and Communities-National Programs	84.184	2,906,913
Byrd Honors Scholarships	84.185	60,000
Safe and Drug-Free Schools and Communities-State Grants	84.186	3,176,337
Supported Employment Services for Individuals with Severe Disabilities	84.187	592,017
Bilingual Education-Professional Development	84.195	265,979
Even Start-State Educational Agencies	84.213	1,144,060
Fund for the Improvement of Education	84.215	486,916
Assistive Technology	84.224	351,784
Tech-Prep Education	84.243	327,966
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	27,627
State Student Incentive Grant/Supplement	84.281	265,945
Charter Schools	84.282	2,604,998
Twenty-First Century Community Learning Centers	84.287	1,940,464
Bilingual Education-Comprehensive School Grants	84.290	121,935
Foreign Language Assistance	84.293	50,265
Foreign Language Incentive	84.294	9,376
Innovative Education Program Strategies	84.298	2,724,186
Technology Literacy Challenge Fund Grants	84.318	3,980,436
Special Education - State Personnel Development	84.323	268,204
Advanced Placement Program	84.330	\$587,877
Grants to States for Incarcerated Youth Offenders	84.331	202,607
Comprehensive School Reform Demonstration	84.332	423,045
Gaining Awareness and Readiness for Undergraduate Programs	84.334	542,332
Teacher Quality Enhancement Grants	84.336	892,010
Reading Excellence	84.338	939
Occupational and Employment Information State Grants	84.346	50,924
Community Scholarship Mobilization Program	84.347	2,175,280
Transition to Teaching	84.350	839,670
Arts in Education	84.351	75,821
School Renovation Grants	84.352	1,132,796
English Language Acquisition Grants	84.365	766,621

(Continued)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by Federal Grantor
 Year ended September 30, 2004

Federal Agency / Program	CFDA No.	Federal Expenditures
Title III Language Acquisition State Grant	84.366	\$ 18,566
Improving Teacher Quality State Grants	84.367	16,948,152
Grants for State Assessments and Related Activities	84.369	4,522,048
Total U.S. Department of Education		141,130,170
National Archives and Records Administration:		
National Historical Publications and Records Grants	89.003	44,808
Total National Archives and Records Grants		44,808
U.S. Department of Health and Human Services:		
Public Health and Social Services Emergency Fund	93.003	3,565,910
State and Territorial and Technical Assistance Capacity		
Development Minority HIV/AIDS Demonstration Program	93.006	312,048
Elder Abuse Prevention	93.041	22,740
Special Programs for the Aging_ Title VII,		
Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	71,208
Special Programs for the Aging_ Title III, Part D_Disease		
Prevention and Health Promotion Services	93.043	154,188
Special Programs for the Aging_ Title III,		
Part B Grants for Supportive Services and Senior Centers	93.044	1,908,236
Special Programs for the Aging-Title III, Part C - Nutrition Services	93.045	3,051,073
Alzheimer's Disease Demonstration Grant	93.051	14,438
Nutrition Services Incentive	93.053	500,293
Vital Statistics Re-engineering Program	93.066	142,572
Comprehensive Community Mental Health Services		
for Children with Serious Emotional Disturbances (SED)	93.104	855,638
Maternal and Child Health Federal Consolidated Programs	93.110	742,997
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	882,212
Primary Care Services-Resource Coordination and Development	93.130	157,732
Injury Prevention and Control Research and State and Community Based Programs	93.136	74,871
Projects for Assistance in Transition from Homelessness (PATH)	93.150	300,000
Childhood Lead Poisoning Prevention Projects_State and Local		
Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	425,468
Consolidated Knowledge Development and Application (KD&A) Program	93.230	1,844,949
Traumatic Brain Injury-State Demonstration Grant Program	93.234	43,616
Abstinence Education	93.235	127,618
Cooperative Agreements for State Treatment Outcomes		
and Performance Pilot Studies Enhancement	93.238	37,326
Substance Abuse and Mental Health Service	93.243	50,944
Universal Newborn Hearing Screening	93.251	160,564
State Planning Grant - Health Care Access for the Uninsured	93.256	311,479
Immunization Grants	93.268	1,122,089
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	12,687,880
Minority Biomedical Research Support	93.375	513,587
Cancer Centers Support	93.397	472,533
Special Programs for the Aging_ Title III,		
Part G_Prevention of Abuse, Neglect, and Exploitation of Older Individuals	93.552	978,393
Promoting Safe and Stable Families	93.556	1,482,107
Temporary Assistance for Needy Families	93.558	92,411,827
Child Support Enforcement	93.563	13,934,383
Refugee and Entrant Assistance-State Administered Programs	93.566	1,343,067
Low-income Home Energy Assistance	93.568	7,167,662
Community Services Block Grant	93.569	10,135,099
Refugee and Entrant Assistance-Discretionary Grants	93.576	161,325
Early Learning Opportunity	93.577	356,297
Empowerment Zones Program	93.585	328,594
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	27,778,531
State Educational Training Voucher Program	93.599	254,564
Head Start	93.600	9,742,318
Developmental Disabilities Basic Support and Advocacy Grant	93.630	520,251

(Continued)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by Federal Grantor
 Year ended September 30, 2004

Federal Agency / Program	CFDA No.	Federal Expenditures
Child Welfare Services-State Grants	93.645	\$ 371,398
Social Services Research and Demonstration	93.647	50,116
Foster Care- Title IV-E	93.658	25,110,206
Adoption Assistance	93.659	10,156,699
Social Services Block Grant	93.667	7,282,257
Child Abuse and Neglect State Grants	93.669	157,945
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	797,575
Chafee Foster Care Independent Living	93.674	1,091,992
State Children's Health Insurance Program	93.767	6,849,952
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities Medicaid Infrastructure Grants People with Disabilities	93.768	91,168
Demonstration to Maintain Independence and Employment	93.769	4,393,588
State Medicaid Fraud Control Units	93.775	1,043,459
State Survey and Certification of Health Care Providers and Suppliers	93.777	2,938,438
Medical Assistance Program	93.778	935,268,824
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	45,005
Social Security_Disability Insurance	93.802	532,278
Health Careers Opportunity Program	93.822	359,872
Residencies and Advanced Education in the Practice of General Dentistry	93.897	91,193
HIV Emergency Relief Project Grants	93.914	30,333,848
HIV Care Formula Grants	93.917	14,280,186
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1,283,797
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	167,003
Healthy Start Initiative	93.926	3,181,089
HIV Prevention Activities-Health Department Based	93.940	5,891,325
Human Immunodeficiency Virus (HIV) Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,024,437
Assistance Programs for Chronic Disease Prevention and Control	93.945	261,412
Trauma EMS-Bioterrorism in Rural Areas	93.952	17,690
Block Grants for Community Mental Health Services	93.958	977,863
Block Grants for Prevention and Treatment of Substance Abuse	93.959	6,197,280
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	1,216,149
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	174,264
Preventive Health and Health Services Block Grant	93.991	1,039,575
Maternal and Child Health Services Block Grant to the States	93.994	6,952,091
Total U.S. Department of Health and Human Services		<u>1,266,778,601</u>
Corporation for National and Community Service:		
Retired and Senior Volunteer Program	94.002	\$334,612
State Commissions	94.003	116,735
Learn and Serve America-School and Community Based Programs	94.004	22,529
AmeriCorps	94.006	878,015
Planning and Program Development Grants	94.007	18,669
Training and Technical Assistance	94.009	83,584
Senior Companion Program	94.016	306,324
Total Corporation for National and Community Service		<u>1,760,468</u>
Social Security Administration:		
Social Security – Disability Insurance	96.001	4,896,546
Social Security Research and Demonstration	96.007	237,479
Total Social Security Administration		<u>5,134,025</u>

(Continued)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by Federal Grantor
 Year ended September 30, 2004

Federal Agency / Program	CFDA No.	Federal Expenditures
U.S. Department of Homeland Security		
State Domestic Preparedness Equipment Support Program	97.004	\$ 4,198,205
Urban Areas Security Initiative	97.008	4,338,268
Community Assistance Program	97.023	30,000
Flood Mitigation Assistance	97.029	20,160
Crisis Counseling	97.032	463,422
FEMA State Administration Plan	97.036	4,928,245
Hazard Mitigation Grant	97.039	180,067
Non-terrorism Grant	97.042	1,501,963
Pre-disaster Mitigation	97.047	129,750
Secure Room Construction	97.052	22,508
Total U.S. Department of Homeland Security		<u>15,812,588</u>
Miscellaneous:		
Qualified Zone Academy	99.000	(248,049)
Total Miscellaneous		(248,049)
Total Expenditures of Federal Awards		<u>\$ 1,808,583,253</u>

See accompanying notes to schedules of expenditures of federal awards.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by District Agency
 Year ended September 30, 2004

District Agency / Program	CFDA No.	Federal Expenditures
Office of Inspector General:		
State Medicaid Fraud Control Units	93.775	\$ 1,043,459
Total Office of Inspector General		<u>1,043,459</u>
Office of the City Administrator:		
Serious and Violent Offender Reentry 1	16.202	62,501
Juvenile Accountability Incentive Block Grants	16.523	784,076
Title II Formula Grant - Administration	16.540	380,143
Title V Formula Grant	16.548	98,188
Challenge Grant	16.549	175,000
Crime Victim Assistance	16.575	1,384,572
Byrne Formula Grant	16.579	1,710,305
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	10,470,849
STOP--Administration	16.587	2,066,871
Grants to Encourage Arrest Policies	16.590	428,864
Local Law Enforcement Block Grants Program	16.592	2,300,489
Residential Substance Abuse - Admin	16.593	89,413
Weed and Seed Administration	16.595	(9,989)
FEMA Grant	83.564	75,237
Homeland Security	97.004	4,198,205
Urban Area Initiative	97.008	4,338,268
Total Office of City Administrator		<u>28,552,992</u>
Office of the Chief Financial Officer:		
Food Stamps	10.551	981,200
Total Office of the Chief Financial Officer		<u>981,200</u>
Emergency Management Agency:		
State Domestic Preparedness Equipment Support Program	16.007	92,501
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	73,484
Individual and Family Grants	83.543	(64,326)
Community Assistance Program	97.023	30,000
FMA Planning	97.029	20,160
Immediate Service Crisis Counseling	97.032	463,422
FEMA State Administration Plan	97.036	4,928,245
Hazard Mitigation Grant	97.039	180,067
Non-Terrorism Grant	97.042	1,501,963
Pre-Disaster Mitigation	97.047	129,750
Secure Room Construction	97.052	22,508
Total Office of Emergency Management Agency		<u>7,377,774</u>
Commission on Arts and Humanities:		
Promotion of the Arts-Partnership Agreements	45.025	517,792
Total Commission on Arts and Humanities		<u>517,792</u>
Office on Aging:		
Nutrition Services Incentive	93.053	500,293
Elder Abuse Prevention	93.041	22,740
Special Programs for the Aging_ Title VII,		
Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	71,208
Special Programs for the Aging-Title III, Part D-Disease		
Prevention and Health Promotion Services	93.043	154,188
Special Programs for the Aging_ Title III,		
Part B_Grants for Supportive Services and Senior Centers	93.044	1,908,236
Special Programs for the Aging-Title III, Part C - Nutrition Services	93.045	3,051,073
DC Awareness & Care Program	93.051	14,438
Special Programs for the Aging_ Title III,		
Part G_Prevention of Abuse, Neglect, and Exploitation of Older Individuals	93.552	978,393

(Continued)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by District Agency
 Year ended September 30, 2004

District Agency / Program	CFDA No.	Federal Expenditures
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	\$ (96,319)
Total Office on Aging		6,604,250
Office of the Attorney General: Child Support Enforcement	93.563	13,934,383
Total Office of the Attorney General		13,934,383
DC Public Library:		
Save America's Treasures (NEHSAT)	15.904	10,125
Library of Congress CFB Letters about Literature	42.005	286
State Library Program	45.310	598,204
Nat's History Pub & Records Comm (NHPRC)	89.003	44,808
Total DC Public Library		653,423
Department of Employment Services:		
Labor Force Statistics	17.002	688,474
Employment Service	17.207	3,415,057
Unemployment Insurance	17.225	20,352,711
Senior Community Service Employment Program	17.235	769,584
Welfare-to-Work Grants to States and Localities	17.253	868,826
One-Stop Career Center Initiative	17.257	69,676
WIA Adult Program	17.258	4,262,990
WIA Youth Activities	17.259	3,367,226
WIA Dislocated Workers	17.260	5,270,934
Youth Opportunity Grants	17.263	8,169,352
Consultation Agreements	17.504	450,000
Disabled Veterans' Outreach Program (DVOP)	17.801	168,000
Local Veterans' Employment Representative Program	17.804	272,000
Total Department of Employment Services		48,124,830
Department of Housing and Community Development:		
Community Development Block Grants/Entitlement Grants	14.218	36,062,447
Emergency Shelter Grants Program	14.231	1,744,681
HOME Investment Partnerships Program	14.239	3,426,804
Fair Housing Initiative Program (FHIP) Education and Outreach Initiative	14.409	34,886
Lead-Based Paint Hazard Control	14.900	143,116
Total Dept. of Housing and Comm. Development		41,411,934
Public Service Commission:		
Pipeline Safety	20.700	77,809
Total Public Safety Commission		77,809
Office of Municipal Planning		
Historic Preservation Fund Grants-In-Aid	15.904	457,613
Total Office of Municipal Planning		457,613
Deputy Mayor for Economic Development		
Enterprise Community Grant	93.585	328,594
Total Deputy Mayor for Economic Development		328,594
Alcoholic Beverage Regulation Administration		
Enforcing Underage Drinking Laws Program	16.727	653,022
Total Alcoholic Beverage Regulation Administration		653,022
Metropolitan Police Department:		
Money Laundering Initiative	16.000	11,999
Firearms Trafficking Task Force	16.000	(11,402)
Metro Area Fraud Task Force	16.000	13,760

(Continued)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by District Agency
 Year ended September 30, 2004

District Agency / Program	CFDA No.	Federal Expenditures
CIA National Imagery Mapping Agency	16.000	\$ 124,852
DEA Main Program	16.000	48,411
Drug Interdiction	16.000	22,903
Safe Street/Homicide Major Case	16.000	45,910
Investigators for Sex Offense	16.000	29,427
Arson and Explosive Task Force	16.000	20,518
Violent Vehicle Task Force	16.000	(872)
Vehicle Initiative Task Force	16.000	113,292
Asset Forfeiture	16.000	595,431
National Criminal History Improvement Program (NCHIP)	16.554	134,086
Weed and Seed	16.595	283,769
Wash Terrorist Task Force	16.579	68,440
Public Safety Partnership and Community Policing Grants	16.710	7,274,210
Drug Prevention Program	16.728	(52,973)
Manage Use of Force Issues	16.733	490,000
Boating Safety Financial Assistance	20.005	588,557
Motor Carrier Safety	20.217	473,348
Fatal Accident Reporting	20.603	12,054
Total Metropolitan Police Department		10,285,720
Department of Corrections:		
State Criminal Alien Assistance Program	16.572	131,957
Total Department of Corrections		131,957
DC Public Schools:		
Title I Grants to Local Educational Agencies	84.010	43,671,067
Migrant Education-State Grant Program	84.011	535,577
Title I Program for Neglected and Delinquent Children	84.013	101,733
Special Education-Grants to States	84.027	12,444,898
Federal Work-Study Program	84.033	754,271
Impact Aid	84.041	1,702,520
Vocational Education-Basic Grants to States	84.048	3,501,403
Special Education-Preschool Grants	84.173	452,395
Safe and Drug-Free Schools and Communities-National Programs	84.184	2,906,913
Byrd Honors Scholarships	84.185	60,000
Safe and Drug-Free Schools and Communities-State Grants	84.186	2,884,733
Bilingual Education-Professional Development	84.195	265,979
Even Start-State Educational Agencies	84.213	1,144,060
Fund for the Improvement of Education	84.215	486,916
Tech-Prep Education	84.243	327,966
Charter Schools	84.282	2,604,998
Twenty-First Century Community Learning Centers	84.287	1,940,464
Comprehensive Grant at OYSTER	84.290	121,935
Foreign Language Assistance	84.293	50,265
Foreign Language Incentive	84.294	9,376
Innovative Education Program Strategies	84.298	2,724,186
Technology Literacy Challenge Fund Grants	84.318	3,980,436
State Program Improvement - Special Education	84.323	268,204
Advanced Placement Program	84.330	587,877
Comprehensive School Reform Demonstration	84.332	423,045
Teacher Quality Enhancement Grants	84.336	892,010
Reading Excellence	84.338	939
Occupational and Employment Information State Grants	84.346	50,924
Title I Reading First State Grants	84.347	2,175,280
Transition to Teaching	84.350	839,670
Arts in Education Progrms	84.351	75,821

(Continued)

Schedule II

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by District Agency
 Year ended September 30, 2004

District Agency / Program	CFDA No.	Federal Expenditures
Renovation,Idea,Tech-SEA	84.352	\$ 1,132,796
Title III Language Acquisition State Grant	84.365	766,621
Math Science Partnership	84.366	18,566
Improving Teacher Quality State Grants	84.367	16,724,610
Grants for State Assessments and Related Activities	84.369	4,522,048
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	213,008
Refugee and Entrant Assistance-Discretionary Grants	93.576	66,526
Head Start	93.600	9,486,722
Learn and Serve America-School and Community Based Programs	94.004	16,594
Qualified Zone Academy	99.000	(248,049)
Total DC Public Schools		120,685,303
State Education Office:		
School Breakfast Program	10.553	3,854,349
National School Lunch Program	10.555	14,774,872
Special Milk Program for Children	10.556	6,431
Child and Adult Care Food Program	10.558	3,390,035
Summer Food Service Program for Children	10.559	1,789,646
State Administrative Expenses for Child Nutrition	10.560	418,031
Emergency Food Assistance Program (Administrative Costs)	10.568	141,782
State Student Incentive Grant/Supplement	84.281	265,945
Community Transition Program	84.331	202,607
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	542,332
Improving Teacher Quality State Grants	84.367	223,542
Total State Education Office		25,609,572
University of the District of Columbia:		
Pesticide Applicators Training	10.025	34,227
Agricultural Experiment Station	10.203	703,021
CES Determinants of Childhood Obesity	10.302	15,050
CES DC Food Handler Certification	10.303	76,404
Cooperative Extension Service	10.500	941,818
Indoor Air Quality	10.664	2,500
Collaborative Partnership	14.237	294
USGS-WRRI Student Internship Program	15.805	3,054
Effects of Aluminum Laden Discharge	15.921	18,309
Assistance to State Water Research Institutes	15.952	76,258
H-1B Technical Skills Training	17.261	597,492
Partnership Sustainable Space Science	43.001	63,017
State Adult Education	84.002	1,677,526
Federal Supplemental Education Opportunity Grants	84.007	619,608
Higher Educational Institutional Aid	84.031	2,774,433
Job Locator Development	84.033	230,750
Federal Perkins Loan Program	84.038	1,437,646
TRIO-Student Support Services	84.042	480,017
TRIO-Talent Search	84.044	381,124
TRIO-Upward Bound	84.047	466,751
Federal Pell Grant Program	84.063	4,219,778
Minority Science Improvement	84.120	91,603
Child Care Access Means Parents in School	84.335	14,991
Minority Biomedical Research Support	93.375	513,587
Cancer Centers Support	93.397	472,533
Head Start	93.600	121,495
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	83,208
Health Careers Opportunity Program	93.822	359,872
US DHHS SDA Speech Pathology (GRAD)	93.925	167,003
Senior Companion Program	94.016	306,324

(Continued)

Schedule II

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by District Agency
 Year ended September 30, 2004

District Agency / Program	CFDA No.	Federal Expenditures
Total University of the District of Columbia		\$ 16,949,693
Department of Parks and Recreation:		
Outdoor Recreation-Acquisition, Development and Planning	15.916	308,339
Urban Park and Recreation Recovery Program	15.919	119,091
Total Department of Parks and Recreation		427,430
Board of Elections & Ethics		
Election Assistance for Individ. W/Disabilities	16.530	22,517
Total Board of Elections & Ethics		22,517
Department of Health		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	13,159,569
State Administrative Matching Grants for Food Stamp Program	10.561	239,945
Commodity Supplemental Food Program	10.565	447,667
WIC Farmers' Market Nutrition Program (FMNP)	10.572	87,693
Senior Farmers Market Nutrition Program	10.576	156,399
Chesapeake Bay Studies	11.457	98,541
Atlantic Coastal Fisheries Cooperative Management Act	11.474	25,665
Technology Opportunities	11.552	138,098
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	368,037
1997 Shelter Plus Care A/R	14.238	(62,189)
Housing Opportunitites for Persons with AIDS	14.241	13,269,078
Sport Fish Restoration	15.605	733,319
State Wildlife Grants	15.634	58,226
Compensation and Working Conditions	17.005	44,410
Air Pollution Control Program Support	66.001	803,882
State Indoor Radon Grants	66.032	146,128
Water Pollution Control-State and Interstate Program Support	66.419	1,152,708
Construction Management Assistance	66.438	67,748
Water Quality Management Planning	66.454	83,454
Nonpoint Source Implementation Grants	66.460	830,470
Chesapeake Bay Program	66.466	600,804
Capitalization Grants for Safe Drinking Water State Revolving Fund	66.468	29,636
Performance Partnership Grants	66.605	263,565
Surveys, Studies, Investigations and Special Purpose Grants	66.606	150,894
TSCA Title IV State Lead Grants-Certification of Lead Based Paint Professionals	66.707	(35,495)
Pollution Prevention Grants Program	66.708	33,350
Hazardous Waste Management State Program Support	66.801	269,507
State and Tribal Underground Storage Tanks Program	66.804	194,787
Leaking Underground Storage Tank-Trust Fund Program	66.805	350,514
Superfund State Core Program Coop Agreements	66.809	84,217
Brownfield Job Training Cooperative Agreements	66.815	149,524
State & Tribal Response Program Grants	66.817	484,791
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	22,119
Safe and Drug-Free Schools and Communities-State Grants	84.186	291,604
Public Health and Social Services Emergency Fund	93.003	3,431,335
State and Territorial and Technical Assistance Capacity		
Development Minority HIV/AIDS Demonstration Program	93.006	312,048
Vital Statistics Re-engineering Program	93.066	142,572
Maternal and Child Health Federal Consolidated Programs	93.110	699,726
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	882,212
Primary Care Services-Resource Coordination and Development	93.130	157,732
Injury Prevention and Control Research and State and Community Based Programs	93.136	74,871
Childhood Lead Poisoning Prevention Projects_State and Local		
Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	425,468
Consolidated Knowledge Development and Application (KD&A) Program	93.230	1,736,257
Traumatic Brain Injury-State Demonstration Grant Program	93.234	43,616

(Continued)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by District Agency
 Year ended September 30, 2004

District Agency / Program	CFDA No.	Federal Expenditures
Abstinence Education	93.235	\$ 127,618
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	37,326
Substance Abuse and Mental Health Service	93.243	50,944
Universal Newborn Hearing Screening	93.251	160,564
State Planning Grant-Health Care access for the Uninsured	93.256	311,479
Immunization Grants	93.268	1,122,089
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	12,474,872
Refugee and Entrant Assistance-Discretionary Grants	93.576	42,621
State Children's Insurance Program	93.767	6,849,952
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities Medicaid Infrastructure Grants People with Disabilities	93.768	91,168
Demonstration to Maintain Independence and Employment	93.769	4,393,588
State Survey and Certification of Health Care Providers and Suppliers	93.777	2,938,438
Medical Assistance Program	93.778	916,162,041
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	58,116
HIV Emergency Relief Project Grants	93.914	30,333,848
HIV Care Formula Grants	93.917	14,280,186
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1,283,797
Healthy Start Initiative	93.926	3,181,089
HIV Prevention Activities-Health Department Based	93.940	5,891,325
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,024,437
Assistance Programs for Chronic Disease Prevention and Control	93.945	261,412
Trauma EMS-Bioterrorism in Rural Areas	93.952	17,690
Block Grants for Prevention and Treatment of Substance Abuse	93.959	6,197,280
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	1,216,149
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	174,264
Preventive Health and Health Services Block Grant	93.991	1,039,575
Maternal and Child Health Services Block Grant to the States	93.994	6,952,091
Social Security Research and Demonstration	96.007	237,479
Total Department of Health		1,059,555,940
Department of Human Rights:		
National Fair Housing Training Academy	14.401	407,857
Fair Housing Assistance Program	14.408	96,490
Equal Employment Opportunity	30.002	88,700
Total Department of Human Rights		593,047
Department of Human Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	10,205,931
Workforce Employment and Training	17.266	169,774
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	797,575
Refugee Targeted Assistance Formula Grant	93.802	532,278
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	12,506,562
Rehabilitation Services-Client Assistance Program	84.161	135,697
Independent Living-State Grants	84.169	275,067
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	214,000
Special Education-Grants for Infants and Families with Disabilities	84.181	1,971,648
Supported Employment Services for Individuals with Severe Disabilities	84.187	592,017
Assistive Technology	84.224	351,784
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	27,627
Maternal and Child Health Federal Consolidated Programs	93.110	43,271

(Continued)

Schedule II

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by District Agency
 Year ended September 30, 2004

District Agency / Program	CFDA No.	Federal Expenditures
Temporary Assistance for Needy Families	93.558	\$ 92,411,827
Refugee and Entrant Assistance-State Administered Programs	93.566	1,343,067
Community Services Block Grant	93.569	10,135,099
Refugee Resettlement Enhanced Services	93.576	52,178
Early Learning Opportunity	93.577	356,297
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	27,778,531
Head Start	93.600	134,101
Developmental Disabilities Basic Support and Advocacy Grant	93.630	520,251
Social Services Block Grant	93.667	7,282,257
Health Care Financing Administration (Medicaid)	93.778	15,581,579
Social Security – Disability Insurance	96.001	4,896,546
Total Department of Human Services		188,314,964
DC Energy Office:		
Energy Efficiency Renewable Energy Information	81.117	1,550
State Energy Program-Special Projects	81.119	284,690
National Energy Information Center	81.039	6,920
State Energy Program	81.041	298,489
Weatherization Assistance for Low-Income Persons	81.042	694,300
Low-Income Home Energy Assistance	93.568	7,167,662
Total DC Energy Office		8,453,611
Department of Public Works:		
Cooperative Forestry Assistance	10.664	183,732
Highway Planning and Construction	20.205	137,705,131
Federal Transit – Metropolitan Planning Grants	20.505	322,868
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	367,737
State and Community Highway Safety	20.600	923,211
Total Department of Public Works		139,502,679
Child and Family Services Agency:		
Promoting Safe and Stable Families	93.556	1,482,107
State Educational Training Voucher Program	93.599	254,564
Child Welfare Services-State Grants	93.645	371,398
Social Services Research and Demonstration	93.647	50,116
Foster Care- Title IV-E	93.658	25,110,206
Adoption Assistance	93.659	10,156,699
Child Abuse and Neglect State Grants	93.669	157,945
Chafee Foster Care Independent Living	93.674	1,091,992
Total Child and Family Services Agency		38,675,027
Department of Mental Health:		
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	855,638
Public Health and Social Services Emergency Fund	93.003	134,575
Projects for Assistance in Transition from Homelessness (PATH)	93.150	300,000
Consolidated Knowledge Development and Application (KD&A) Program	93.230	108,692
Medical Assistance Program	93.778	3,525,204
Residencies and Advanced Education in the Practice of General Dentistry	93.897	91,193
Block Grants for Community Mental Health Services	93.958	977,863
Total Commission on Mental Health Services		5,993,165
DC National Guard		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	787,637
Total DC National Guard		787,637
Office of Budget and Planning		
Emergency Preparedness Funding (note 5)	12.000	15,117,330

(Continued)

Schedule II

GOVERNMENT OF THE DISTRICT OF COLUMBIA
 Schedule of Expenditures of Federal Awards – by District Agency
 Year ended September 30, 2004

<u>District Agency / Program</u>	<u>CFDA No.</u>	<u>Federal Expenditures</u>
State Aid Fund (Tax Relief Act)	21.000	\$ 24,524,731
Total Office of Budget and Planning		<u>39,642,061</u>
Department of Motor Vehicles		
National Motor Carrier Safety	20.218	706,235
Total Department of Motor Vehicles		<u>706,235</u>
Office of the Mayor:		
FEMA Cert	83.564	105,061
Retired and Senior Volunteer Program	94.002	334,612
State Commissions	94.003	116,735
Learn and Serve Community Based Program	94.004	5,935
AmeriCorps	94.006	878,015
Planning and Program Development Grants	94.007	18,669
Training and Technical Assistance	94.009	83,584
Total Office of the Mayor		<u>1,542,611</u>
Total Expenditures of Federal Awards		<u>\$ 1,808,598,244</u>

See accompanying notes to schedules of expenditures of federal awards

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Notes to Schedules of Expenditures of Federal Awards

Year ended September 30, 2004

(1) Summary of Significant Accounting Policies

(a) 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, 2004. HFA and WASA contract for separate audits in compliance with Office of Management Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The federal awards for these two entities are excluded from the Schedules.

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

(b) Basis of Presentation

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

(c) Basis of Accounting

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

(d) Matching Costs

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

(2) Relationship to Federal Financial Reports

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

(3) Federally Funded Loan Programs

Home Investment Partnerships Program (14.239) – The \$17,293,389 of outstanding loan amount for fiscal year ended September 30, 2004, represents the value of new loans \$852,153 made during the fiscal year, less adjustments and principal payments of \$1,206,143. This amount is not included in the accompanying Schedules.

Federal Perkins Loan Program (84.038) – The amount in the accompanying Schedules includes the outstanding balance of loans receivable under this program of \$1,437,646 at September 30, 2004.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Notes to Schedules of Expenditures of Federal Awards

Year ended September 30, 2004

Family Federal Education Loan Program (84.032) – The District, through the University of the District of Columbia (UDC), participates in the Federal Family Education Loans Program (FFELP), which includes the Federal Stafford Loan Program and the Federal Parents’ Loans for Undergraduate Students Program. New loans, disbursed by lending institutions, were made to students enrolled at the University of the District of Columbia for \$4,188,544 during the year ended September 30, 2004; this amount is not included in the Schedules.

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

During fiscal year 2004, the District received cash rebates from infant formula manufacturers in the amount of approximately \$4.2 million on sales of formula to participants in the WIC program (CFDA 10.557), which amount is netted against total expenditures included in the Schedules. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

(5) Emergency Preparedness Funding

During fiscal year 2004, the District expended \$15,117,331 in Emergency Preparedness Funding (CFDA 12.000). These expenditures were made by the following District agencies:

Department of Property Management	\$ 1,170,500
Consumer and Regulatory Affairs	81,154
Metropolitan Police Department	3,330,703
Department of Public Works	491,353
Fire and Emergency Medical Services	556,221
Department of Health	2,770,881
Department of Human Services	157,647
Department of Transportation	1,416,881
Office of the Chief Technology Officer	5,141,991
Total	<u>\$ 15,117,331</u>

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Notes to Schedules of Expenditures of Federal Awards

Year ended September 30, 2003

(6) Amounts Passed-through to Sub-recipients

During the year ended September 30, 2004, the District passed the amounts shown below through to major program sub-recipients. It was not practicable to determine amounts passed through to sub-recipients of nonmajor programs.

<u>Grant program</u>	<u>CFDA number</u>	<u>Amount</u>
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	\$ 20,246,530
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	2,681,257
Child and Adult Care Food Program	10.558	3,481,569
Community Development Block Grants – Entitlement Grants	14.218	24,643,393
Housing Opportunities for Persons with AIDS	14.241	10,133,755
Title I – Grants to Local Educational Agencies	84.010	7,750,023
Special Education Cluster	84.027, 84.173	953,044
Title 1 - Reading First States Schools	84.347	1,727,000
School Renovation Grant	84.352	1,463,702
Improving Teacher Quality State Grants	84.367	2,147,278
HIV Emergency Relief Project Grant	93.914	14,809,030
HIV Care Formula Grant	93.917	16,896,312
Community Services Block Grant	93.569	9,529,673
Head Start	93.600	300,963
HIV Prevention Activities – Health Department Block Grant for the Prevention and Treatment of Substance Abuse	93.940	1,824,155
Maternal and Child Health Services Block Grant to the States	93.959	4,217,578
Aging Cluster	93.994	3,201,897
Urban Areas Security Initiatives	93.044, 93.045, 93.053 97.008	4,481,368 13,010,163

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedules of Expenditures of Federal Awards

Year ended September 30, 2004

I. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued on the financial statements: **Unqualified opinion**

Internal control over financial reporting:

Material weaknesses identified? **No**

Reportable conditions identified that are not considered to be material weaknesses? **Yes**

Noncompliance material to financial statements noted? **Yes**

Federal Awards:

Internal control over major programs:

Material weaknesses identified? **Yes**

Reportable conditions identified that are not considered to be material weaknesses? **Yes**

Major Programs with Reportable Conditions:

Community Development Block Grants – Entitlement Grants (14.218)

Byrne Formula Grant (16.579)

Local Law Enforcement Block Grant (16.592)

Crime Victim Assistance (16.575)

Unemployment Insurance (17.225)

Highway Planning and Construction (20.205)

Title I (84.010)

Improving Teacher Quality (84.367)

Special Education Cluster (84.027 and 84.173)

Head Start (93.600)

Title I Reading First (84.357)

Title VI (84.369)

Vocational Rehabilitation (86.126)

Child Care Cluster (93.563)

Child Support Enforcement (93.563)

Low Income Home Energy Assistance Program (93.568)

Foster Care (93.658)

Housing Opportunities for People with AIDS (14.241)

Public Health and Social Services Emergency Fund (93.003)

Investigations and Technical Assistance (93.283)

Medicaid (93.778)

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedules of Expenditures of Federal Awards

Year ended September 30, 2004

HIV Emergency Relief Project Grants (93.914)
HIV Care Formula Grants (93.917)
HIV Prevention Grant (93.940)
Block Grant for Prevention and Treatment of Substance Abuse (93.959)
Maternal and Child Health Services Block Grant (93.994)
Urban Area Security Initiative (97.008)

Type of auditors' report issued on compliance for major programs

Qualified opinion

Scope Limitation:

Title I (84.010)
HIV Prevention Grant (93.940)

Material Noncompliance:

Community Development Block Grants – Entitlement Grants (14.218)
Byrne Formula Grant (16.579)
Local Law Enforcement Block Grant (16.592)
Title I (84.010)
Special Education Cluster (84.027, 84.173)
Improving Teacher Quality State Grants (84.367)
Title I Reading First (84.357)
Child Support Enforcement (93.563)
Low Income Home Emergency Assistance Program (93.568)
Foster Care (93.658)
Housing Opportunities for People with AIDS (14.241)
Public Health and Social Services Emergency Fund (93.003)
Investigations and Technical Assistance Grant (93.283)
Block Grants for Prevention and Treatment of Substance Abuse (93.959)
Maternal and Child Health Services Block Grant (93.994)
Urban Area Security Initiative (97.008)

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

Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants – Entitlement Grants

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedules of Expenditures of Federal Awards

Year ended September 30, 2004

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.241	Housing Opportunities for Persons with AIDS
16.575	Crime Victim Assistance
16.579	Byrne Formula Grant
16.592	Local Law Enforcement Block Grant
17.225	Unemployment Insurance
17.263	Youth Opportunity Grants
20.205	Highway Planning and Construction
84.010	Title I Grants to Local Educational Agencies
84.126	Vocational Rehabilitation
84.357	Title I – Reading First
84.367	Improving Teacher Quality State Grants
84.369	Title VI State Assessment and Related Activities
93.003	Public Health and Social Services Emergency Fund
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low Income Home Energy Assistance
93.569	Community Services Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedules of Expenditures of Federal Awards

Year ended September 30, 2004

CFDA Number(s)	Name of Federal Program or Cluster
93.600	Head Start
93.658	Foster Care – Title IV E
93.659	Adoption Assistance
93.914	HIV Emergency Relief Project Grant
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities – Health Department Based
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant to the States
97.008	Urban Areas Security Initiatives
97.036	Public Assistance Grants
97.042	Non-Terrorism Grant
10.553 10.555	Child Nutrition Cluster
10.556 10.559	
93.775 93.777	Medical Assistance Program Cluster
93.778	
84.027 84.173	Special Education Cluster
17.258 17.259	Workforce Investment Act (WIA) Cluster
17.260	
93.044 93.045	Special Programs for the Aging
93.053	
Dollar threshold used to distinguish between Type A and B programs	
	\$5,569,610
Auditee qualified as low-risk auditee?	
	No

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedules of Findings and Questioned Costs

Year ended September 30, 2004

II. Finding Related to Financial Statements

04-01 Management of Disability Compensation Program

The District, through the Office of Risk Management (ORM), administers a disability compensation program under Title XXIII of the District of Columbia Comprehensive Merit Personnel Act of 1978. The most recent actuarial loss reserve analysis was performed in fiscal year 2002. For fiscal years 2003 and 2004, ORM has performed roll-forward procedures, using underlying assumptions included in the last actuarial report, in order to estimate the District's disability compensation liability at each year-end. We recommended that an actuarial analysis be performed for fiscal year 2004, however this recommendation was not implemented. We believe that the use of data that is more than one year old as a basis for these roll-forwards could lead to significant differences between the estimated liability and actual results for individual cases when complete data is available. Further, the accuracy of the underlying data used in the District's analysis has always been difficult to assess due to weaknesses in the maintenance of supporting claims files.

The ORM does not perform a timely review of past claims to determine whether the established reserves remain sufficient. In addition, we determined through claims test work that certain reserves were not removed timely from the tracking system, once a claim is determined to be closed. These conditions increase the risk that the underlying data, which is utilized for the District's roll-forward procedures, may be over- or understated. Additionally, seven out of 81 disability claim case files selected for test work could not be located for our review, and many of those that were provided for our review required extraordinary effort on the part of ORM personnel to locate. This is a similar result as noted in prior years.

We again recommend that ORM contract for an actuarial loss reserve analysis to be performed during fiscal year 2005, and each year thereafter. Additionally, we recommend that ORM:

- Review all active claim files on a periodic basis to determine if the recorded reserve is sufficient or if the reserve needs to be increased or decreased. The review of all active claim files is imperative before each actuarial analysis is performed, since an actuary would be utilizing such information in their analysis.
- Develop an effective managerial system to file and maintain both open and closed case files.

Management Response

ORM has requested monies for an actuarial report in its current budget. It is expected that the actuarial report will take place within the next fiscal year.

All Disability Compensation Program (DCP) files, both active and archived, were housed by the Third Party Administrator (TPA), CLW/CDM, Inc. in fiscal year 2004. CLW/CDM was responsible for maintaining all supporting documentation in each claim file. ORM acquired these files at the conclusion of the contract between the city and CLW/CDM in November 2004. The contract expired pursuant to court order on Friday, October 29, 2004. The archived files were subsequently moved and placed in storage at the District of Columbia General Hospital (DCGH). The active files were moved to 441 4th Street, NW, Suite 800 South. It is assumed that all files were turned over to ORM; however, at this time, it is difficult to verify this assumption. In addition, a number of active claim files were erroneously placed in storage when they should have been forwarded directly to ORM.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedules of Findings and Questioned Costs

Year ended September 30, 2004

The Claims Supervisor of CLW/CDM, Inc. was charged with performing timely reviews of the adjusters' decisions establishing reserves. ORM was responsible for conducting periodic reviews of randomly selected claim files to determine if appropriate reserves had been established and/or removed. The previous database system did not allow ORM access to all of the data maintained by CLW/CDM with regard to this aspect of the claims. With the movement of the Third Party Administrator in-house, and obtaining its own Riskmaster database, ORM now has the ability to easily determine whether established reserves are sufficient.

ORM has entered into a contract for services, which entails capturing basic information on all claim files currently in storage into an Excel spreadsheet. This electronic database will allow ORM to effectively manage its closed case files. The new Riskmaster system, which went into operation in November 2004, will allow ORM to effectively manage all open claims files, and those, which are subsequently closed.

ORM expects to hire additional staff to provide more hands on file/reserve reviews and to conduct periodic audits.

04-02 Unemployment Compensation Claimant File Management

The District's Department of Employment Services (DOES) is responsible for the administration of the Unemployment Compensation Program. In fiscal year 2004, the District made approximately \$114 million in unemployment benefit payments to unemployed former employees of private employers in the District and of the District and federal governments.

While testing internal controls over benefit payments, we observed that DOES was unable to locate 8 out of 30 claimant files supporting these payments. Federal regulations require that DOES maintain documentation supporting all payments of unemployment claims. We noted that DOES has established policies and procedures requiring such documentation be maintained. However, DOES has not created a system of tracking the location of all claimant files and requiring such files to be checked in and out by DOES personnel using the files. We recommend that DOES create a database tracking the location of all claimant files and require that this database be updated each time a file is moved to a new location.

Management Response

Management concurs with the finding. If funding is available, DOES will implement an imaging and retrieval system for Unemployment Insurance documents. A pilot project is to commence within the next three months for imaging and indexing quarterly contribution reports. The imaging will be done by the contractor who currently enters data from these reports.

04-03 Non - Compliance with Procurement Regulations

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedules of Findings and Questioned Costs

Year ended September 30, 2004

During our audit we reviewed the Office of Contracting and Procurement's list of contracts which required retroactive Council approval. The list was comprised of four (4) D.C. Supply Schedule contracts; five (5) contracts for various critical services; three (3) short-term purchase orders, and thirteen (13) Information Technology contracts. We noted the following:

- All of the contracts were in excess of the one million dollar ceiling but there was no evidence of approval from the Council for each year that required such approval.
- Purchase order amounts were not tracked as a means of ensuring compliance with the procurement dollar limits for some of the contracts.
- Three short-term purchase orders individually less than one million dollars but cumulatively totaling over two million dollars were issued to the same vendor for similar services within the fiscal year. Each purchase order exceeded the agency's small purchase limit.

We also noted that the District does not have a centralized tracking system that identifies all contracts for the fiscal period.

Section 2-301.05a of the D.C. Official Code states that prior to the award of a multiyear contract or contract in excess of \$1,000,000 during a 12-month period the Mayor (or an executive independent agency) shall submit the proposed contract to the Council for review and approval in accordance with established criteria. The requirement for Council approval shall extend to any contract action (which includes modifications and task orders). In cases where the Council has previously approved a contract with base year and option years, where an option year exceeds one million dollars, Council approval will be required again.

Agencies are required to seek retroactive Council approval to authorize any payments over one million dollars under any contract that exceeds one million dollars without prior Council approval.

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

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

Management Response

OCP concurs with both recommendations and has already taken two important steps that address each of them. OCP created a new Centralized Contract Tracking System ("CCTS") that went into effect on November 1, 2004. The CCTS allows OCP to track all indefinite delivery/indefinite quantity ("IDIQ") contracts, as well as human care agreements and requirements contracts, to ensure that each contract does not exceed its ceiling. The system: (1) includes all purchase orders issued against a contract; (2) calculates the remaining balance on the contract amount against which orders may be placed; (3) issues a warning when the remaining balance is within 10% of the contract's ceiling amount; and (4) alerts a contracting specialist not to process a requisition against a contract when the dollar amount of the requisition exceeds the contract ceiling.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedules of Expenditures of Federal Awards

Year ended September 30, 2004

All contracting officers and contract specialists are required to consult the CCTS for the balance of an IDIQ contract, a requirements contract, or a human care agreement. This system allows OCP to effectively monitor the orders placed against these types of contracts. Monitoring of orders placed against these types of contracts had not previously occurred. Reports are available from the CCTS so that a contracting officer or commodity manager may readily track contract amounts and orders placed against contracts.

Second, OCP provided training in September 2004 to all contracting personnel on the requirements for Council review of million dollar and multiyear contracts. Attendees included contracting officers, contract specialists, and other personnel involved in procurement and the preparation of contract packages for million dollars or multiyear review by Council. This training covered recent issues with million dollar or multiyear contract reviews; statutory requirements for Council review; templates for the million dollar or multiyear contract packages, including an in-depth discussion of the contents of the statutorily-required Council Contract Summary; and case studies for discussion in small groups. Further training on million dollar or multiyear contracts will be conducted as needed.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

III. Findings Related to Federal Awards

District Agency:

Department of Housing and Community Development

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-04	Community Development Block Grant (14.218)	Allowable Costs	Not Determinable

Condition:

The Department of Housing and Community Development (DHCD) does not have an approved Cost Allocation Plan on file as required by OMB Circular A-87. This condition existed in 2003. Total indirect costs charged to CDBG for fiscal year 2004 were \$300,000.

Criteria:

OMB Circular A-87 Attachment A, Section H states that:

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

Cause:

DHCD failed to obtain the required approval from the cognizant Federal agency.

Effect:

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

Recommendation:

We recommend that DHCD management should ensure that a certified and approved cost allocation plan is maintained on file for all indirect costs charged to federal grants.

Management Response:

DHCD has completed its Cost Allocation Plan for FY 2004 and will submit the document to its cognizant agency and HUD to bring the agency into compliance.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Housing and Community Development

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-05	Community Development Block Grant (CDBG) (14.218)	Allowable Costs	Not Determinable

Condition:

DHCD is not in compliance with OMB Circular A-87 for payroll costs charged to the CDBG because appropriate documentation supporting payroll costs, as specified by OMB Circular A-87, was not maintained for 30 out of 30 employees sampled. Total payroll costs for the sample size was \$1,806,761. Total payroll costs charged to CDBG was \$7,880,996.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. states the following:

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on the payroll documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unity.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - 1) More than on federal award,
 - 2) A federal award and nonfederal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities which are allocated using different allocation bases.
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 2) They must account for the total activity, for which each employee is compensated.
 - 3) They must be prepared at least monthly and must coincide with one or more pay periods and
 - 4) They must be signed by the employee.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

6. Budget estimates or other distribution percentages determine 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:
- 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed,
 - 2) At least quarterly, comparisons of actual costs to budget 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 difference between budgeted and actual costs are less than 10 percent,
 - 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

Management has not incorporated a formal process to allocate hours worked by employees among the various programs on which the employees worked nor for certification in accordance with OMB Circular A-87 for employees who work solely on the single federal program.

Effect:

DHCD is not in compliance with the payroll effort reporting and certification requirements of OMB Circular A-87.

Recommendation:

Where employees work solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management Response:

DHCD is currently in the process of implementing the allocation of personnel costs based on level of effort for all of the agencies funding sources, where allowable. It is anticipated that these changes will be implemented by October 1, 2005.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:
City Administrator

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-06	Byrne Formula Grant (16.579)	Allowable Costs	Not Determinable

Condition:

The Byrne Formula Grant is not in compliance with OMB Circular A-87 for payroll costs charged to the program listed above because appropriate documentation supporting payroll costs, specified by OMB Circular A-87, is not maintained. Total payroll costs charged to the program was \$1,031,724.

Criteria:

OMB Circular A-87 Attachment B Section II. Paragraph h. requires the following:

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - 1) More than one Federal award,
 - 2) A Federal award and a non-Federal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities which are allocated using different allocation bases, or
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must account for the total activity for which each employee is compensated,
 - 2) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 3) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - 4) They must be signed by the employee.
6. 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:
 - 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

- 2) 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
- 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

Management does not have adequate policies and procedures in place to ensure compliance with allowable cost requirements.

Effect:

Payroll expenditures related to the program listed above are not supported as required by Federal regulations.

Recommendation:

Where employees worked solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees worked on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

Management is in concurrence with this finding.

It should be noted that management developed a supporting process in the latter part of FY 2004 and implemented it effective the beginning of FY 2005. Management is confident that the supportive process as implemented complies with OMB Circular A-87 and the District's process.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:
City Administrator

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-07	Local Law Enforcement Block Grant (16.592)	Allowable Costs	Not Determinable

Condition:

The Local Law Enforcement Block Grant is not in compliance with OMB Circular A-87 for payroll costs charged to the program listed above because appropriate documentation supporting payroll costs, specified by OMB Circular A-87, is not maintained. Total payroll costs charged to the program was \$1,020,394.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - 1) More than one Federal award,
 - 2) A Federal award and a non-Federal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities which are allocated using different allocation bases, or
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must account for the total activity for which each employee is compensated,
 - 2) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 3) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - 4) They must be signed by the employee.
6. 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:
 - 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

- 2) 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
- 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

Management does not have adequate policies and procedures in place to ensure compliance with allowable cost requirements.

Effect:

Payroll expenditures related to the program listed above are not supported as required by Federal regulations.

Recommendation:

Where employees worked solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees worked on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

Management is in concurrence with this finding.

It should be noted that management developed a supporting process in the latter part of FY 2004 and implemented it effective the beginning of FY 2005. Management is confident that the supportive process as implemented complies with OMB Circular A-87 and the District's process.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:
City Administrator

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-08	Crime Victim Assistance Grant (16.575)	Allowable Costs	Not Determinable

Condition:

The Crime Victim Assistance Grant is not in compliance with OMB Circular A-87 for payroll costs charged to the program listed above because appropriate documentation supporting payroll costs, specified by OMB Circular A-87, is not maintained. Total payroll costs charged to the program was \$52,182.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - 1) More than one Federal award,
 - 2) A Federal award and a non-Federal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities which are allocated using different allocation bases, or
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must account for the total activity for which each employee is compensated,
 - 2) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 3) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - 4) They must be signed by the employee.
6. 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:
 - 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

- 2) 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
- 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

Management does not have adequate policies and procedures in place to ensure compliance with allowable cost requirements.

Effect:

Payroll expenditures related to the program listed above are not supported as required by Federal regulations.

Recommendation:

Where employees worked solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees worked on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

Management is in concurrence with this finding.

It should be noted that management developed a supporting process in the latter part of FY 2004 and implemented it effective the beginning of FY 2005. Management is confident that the supportive process as implemented complies with OMB Circular A-87 and the District's process.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Employment Services

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-09	Unemployment Insurance (17.225)	Cash Management	None

Condition:

We noted that 6 expenditures (out of a sample of 30) were paid after reimbursement was requested.

Criteria:

The Cash Management Improvement Act (CMIA), Code of Federal Regulations Title 31 Section 205.7 (c) (5) requires the State to minimize the time that elapses between the payment of the disbursement and the request for reimbursement. The cost must be incurred before reimbursement is requested.

Cause:

Department of Employment Services (DOES) believes that it is allowed to make projection for payroll cost and draw then funds before the actual payment is made. When the payroll cost is overestimated, DOES uses the excess cash to pay for non-payroll costs incurred. However, our review of the CMIA Agreement between the District and the Department of Treasury indicated that all obligations (other than payroll) must be paid prior to requesting for reimbursement.

Effect:

Drawdowns are not reflecting the program's immediate cash needs. As a result, DOES is noncompliant with the CMIA and 31 CFR 205.7 (c)(5). Interest may be owed to the Federal government.

Recommendation:

We recommend that DOES implement adequate policies and procedures to ensure that program obligations are expended prior to requesting reimbursement. We also recommend that DOES make reasonable estimates for payroll costs to ensure that only needed funds are drawn. Further, we recommend that DOES perform a detailed review of individual expenditure obligations before any funds are requested for reimbursement.

Management Response:

Going forward (to include the remainder of fiscal year 2005), DOES will revisit the procedures in estimating monthly payroll costs as FARS PS reclassifications are based on prior months statistics and estimates are based on FARS current month's PS costs.

In addition, DOES will be more cognizant in reclassifying costs that could have been allocated to other funds after the scheduled cash draw downs.

DOES will propose a change for inclusion in the next CMIA to increase frequency of draw downs to capture reductions in expenditures more quickly.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Employment Services

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-10	Youth Opportunity Grant (17.263)	Cash Management	Not Determinable

Condition:

We observed that 1 expenditure (out of a sample of 30) was paid after reimbursement was requested. Also, we observed that all expenditures paid from April 22, 2004 through April 30, 2004 were paid after reimbursement was requested.

Criteria:

The Cash Management Improvement Act (CMIA), Code of Federal Regulations Title 31 Section 205.7 (c) (5) requires the State to minimize the time that elapses between the payment of the disbursement and the request for reimbursement. The cost must be incurred before reimbursement is requested.

Cause:

Per discussion with DOES personnel, some of the accruals in fiscal year 2003 did not materialize. Thus, cash was drawn prior to payment on the accruals that were liquidated in fiscal year 2004.

Effect:

Drawdowns are not reflecting the program's immediate cash needs. As a result, DOES is noncompliant with the CMIA and 31 CFR 205.7 (c)(5). Interest may be owed to the Federal government.

Recommendation:

We recommend that DOES implement adequate policies and procedures to ensure that program obligations are expended prior to requesting reimbursement. Further, we recommend that DOES perform a detailed review of individual expenditure obligations before any funds are requested for reimbursement.

Management Response:

DOES has instituted policies and procedures so that we will not draw on prior year receivables until the invoices against the accruals are processed and paid.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Transportation

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-11	Highway Planning and Construction (20.205)	Davis-Bacon Act	Not Determinable

Condition:

The DC Department of Transportation (DOT) has failed to monitor the Davis-Bacon Act in a consistent and timely manner. We observed:

- 9 of 30 contractor and subcontractor payroll files selected were missing the respective payroll registers and there were no notice or letter indicating “No work performed for the week”.
- Lack of evidence that a contract specialist reviewed the 21 of 30 certified payroll registers located.
- The wages for 3 of the 30 employees selected were less than the required prevailing wage rate.

Criteria:

OMB Circular A-102 requires that recipients of federal awards include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor (DOL) regulations (29 CFR part 5, “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). It also requires for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Effective internal controls require that the appropriate personnel review and approval of expenditures prior to payment.

Cause:

DOT has not adhered to its policies and procedures to ensure that contract specialists monitor compliance of contractors and subcontractors with the Davis-Bacon Act.

Effect:

Lack of monitoring could lead to laborers paid under the prevailing wage rate, and thus cause the District to be in non-compliance with the Davis-Bacon Act.

Recommendation:

We recommend that DOT adhere to its established controls to ensure that the contract specialists are adhering to established policies and procedures.

Management Response:

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

The agency partially concurs with the finding that we have failed to monitor the Davis-Bacon Act in a consistent and timely manner. We believe that the deficiencies found during the audit were isolated incidences attributable to individual performance and not a systematic flaw or breakdown in the overall implementation of the Davis-Bacon Act. Although we believe that we are effectively monitoring compliance with the Davis-Bacon Act, closer monitoring of staff will be done.

Payrolls are submitted and reviewed on a weekly basis. Where problems are found, a specialist takes the necessary follow-up action. Such action may include the following:

- 1) Seeking clarification from the contractor by telephone,
- 2) Requesting additional information on the contractor's fringe benefit program,
- 3) Notifying the contractor in writing that violation has been discovered and a full-scale investigation will ensue,
- 4) Transmitting a letter with the amount of restitution noted and demand for payment.

In more extreme cases, the agency withholds the funds and forwards the case to the United States Department of Labor.

In instances where violations are not found the payrolls were filed without notations since they are official contract records and should not be defaced. For this reason, auditors will generally conclude that no compliance is performed because there is nothing in the file to suggest otherwise. Therefore, we have developed a "Contract Payroll Review Verification" Form to more effectively document the payroll monitoring process from start to finish, including verification of start of projects, when payrolls are reviewed, and by whom. Periodic review of this form will allow managers to more closely monitor staff efforts in this area.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools (DCPS)

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-12	Title I (84.010)	Allowable Costs/Cost	\$ 6,837
	Improving Teacher Quality (84.367)	Principles	18,140
	Special Education Cluster (84.027, 84.173)		22,764

Condition:

DCPS did not maintain appropriate documentation supporting payroll costs as specified by OMB Circular A-87, for these programs.

- 4 of 30 Title I items totaling \$6,837. Total amounts of all items selected were \$66,166. Total payroll charged to the Title I program was \$20,196,071.
- 7 of 30 Improving Teacher Quality sample items totaling \$18,140. Total amounts of all items selected were \$60,526. Total payroll charged to the Improving Teacher Quality program was \$4,830,158.
- 8 of 30 Special Education Cluster sample items totaling \$22,764. Total amounts of all selected was \$61,136. Total payroll charged to the Special Education Cluster was \$3,387,013.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - 1) More than one Federal award,
 - 2) Federal award and a non-Federal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities which are allocated using different allocation bases, or
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must account for the total activity for which each employee is compensated,
 - 2) They must reflect an after-the-fact distribution of the actual activity of each employee,

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

- 3) They must be prepared at least monthly and must coincide with one or more pay periods, and
- 4) They must be signed by the employee.
- 6. 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:
 - 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - 2) 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
 - 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

DCPS personnel are not utilizing the payroll system (CAPPS) to distribute full-time salaries among multiple account codes. In addition, DCPS personnel are not adhering to existing policies and procedures to document their time in accordance with OMB Circular A-87.

Effect:

Payroll expenditures related to the programs listed above are not supported as required by Federal regulations.

Recommendation:

Where employees work solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

Management concurs with the finding. DCPS is aware of this concern, and anticipates that with the move to the new PeopleSoft Platform this issue should be resolved. Presently, DCPS has no choice but to use a manual process.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-13	Title I (84.010), Improving Teacher Quality (84.367) Special Education Cluster (84.027, 84.173)	Allowable Costs	Not Determinable Not Determinable Not Determinable

Condition:

DCPS could not provide proof of subsequent payment of accrued expenses for the following programs:

- Three of 30 Title I items selected totaling \$547,000. Total amount of sample items selected was \$5,017,473. Total amount of population was \$21,713,159.
- Three of 30 Improving Teacher Quality items selected totaling \$295,761. Total amount of sample items selected was \$4,185,296. Total amount of population was \$11,263,850.
- Two of 30 Special Education Cluster items selected totaling \$72,619. Total amount of sample items selected was \$4,042,461. Total amount of population was \$8,693,054.

The reversal of the accruals were made in fiscal year 2005 and these costs were not reported in the SEFA.

Criteria:

Accrued expenses must be liquidated within 90 days of accrual.

Cause:

Accrued expenses were supported purchase orders instead of by actual vendor invoices.

Effect:

Failure to liquidate accrued expenses may lead to noncompliance with period of availability requirements.

Recommendation:

We recommend that DCPS ensure that all expenditures made relating to the accrued expenses are reviewed and approved by appropriate grant personnel prior to payment by the DCPS' Finance Office, and that accrued expenses are monitored to ensure that they are liquidated within 90 days after accrual.

Management's Response:

The OCFO disagrees and takes exception to the audit findings. During the FY closing process, DCPS recognized accrued expenditure based on reasonable estimate, which resulted in overstated accrued liability/expenditure. The OCFO disagrees with cause "Accrued expenditures were supported purchase orders instead of by actual vendor invoices". According to generally accepted accounting principles we recognized accrued expenditure based on reasonable estimates, that does not mean all estimates and assumptions will be accurate.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Accruals are not necessary for grant expenditures that have carryforward grant funds in the following year. DCPS has made adjustments to this accrual in FY 05 and believes that it will be corrected by the end of the calendar year.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-14	Improving Teacher Quality (84.367) Special Education Cluster (84.027 & 84.173)	Allowable Costs	\$ 1,995 14,333

Condition:

DCPS could not provide supporting documentation (including invoices) for the following items.

- One of 30 Improving Teacher Quality sample items totaling \$1,995. Total amounts of all items selected was \$4,185,296. Total amount of population was \$11,263,850.
- Two of 30 Special Education cluster sample items totaling \$14,333. Total amounts of all items selected was \$4,042,461. Total amount of population was \$8,693,054.

Criteria:

OMB Circular A-87, Attachment A, Section C, paragraph (1)(j) states, “to be allowable under federal awards, costs must be adequately documented.”

Cause:

DCPS lacks controls to ensure that supporting documentation is maintained for all federal expenditures.

Effect:

Lack of supporting documentation for program expenditures could result in non-compliance with OMB Circular A-87, procurement, and other federal regulations.

Recommendation:

We recommend that DCPS should ensure that supporting documentation is maintained for all expenditures charged to federal awards. Access to the files should be limited to only authorized personnel. Removal of the supporting documentation should be tracked as to the person removing the documentation and the date the data was removed and returned.

Management Response:

Management concurs with the findings and has taken actions. OCFO is in the process of acquiring a scanning based electronic filing system. Additionally, we have assigned members of the Accounts Payable (AP) staff to the task of ensuring timely filing and periodic review of filed documents. We have limited the access to the files to avoid documents being mishandled.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-15	Title I (84.010)	Allowable Costs	\$ 80,996
	Improving Teacher Quality (84.367)		10,993
	Title I Reading First (84.357)		13,197

Condition:

The allowability of the following expenditures could not be determined because the DCPS, Office of the Chief Financial Officer (CFO) could not provide adequate support for journal entries made:

- 4 of 30 Title I sample items totaling \$80,996. Total amount of items selected was \$5,017,473. The total population tested was \$21,713,159.
- 1 of 30 Improving Teacher Quality sample items totaling \$10,993. Total amount of items selected was \$4,185,296. The total population tested was \$11,263,850.
- 2 of 30 Reading First sample items totaling \$13,197. Total amount of all items selected was \$1,651,478. The total population tested was \$2,013,291.

Criteria:

OMB Circular A-87, Attachment A, Section C, paragraph (1)(j) states, “to be allowable under federal awards, costs must be adequately documented.”

Cause:

DCPS CFO’s office currently processes journal entries requested by the District’s Budget Office without reviewing or requiring adequate documentation to support the request. The journal entry request often only identifies the dollar amounts in the financial accounting system to be moved based on the request. DCPS relies on the authorization of the Budget Office with very limited support as assurance that the transfers are allowable.

Effect:

Lack of proper supporting documentation could result in non-compliance with the applicable activities allowed, allowable cost and other federal regulations.

Recommendation:

We recommend that the DCPS CFO require and maintain adequate supporting documentation from the Budget Office to ensure that all journal entries are appropriate under its grant agreements.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management Response:

The OCFO agrees with the findings and recommendations. Currently the Accounting Officer/Controller review and approve all journal entries to ensure the transactions are valid and supporting documents are provided. All the journal entries will be supported down to the transaction level in order to adequately determine allowability.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-16	Title I Reading First (84.357)	Equipment and Real Property	\$ 14,197
	Title I (84.010)	Management	\$203,098

Condition:

DCPS could not provide invoices and other documents to support the items selected to test the equipment and real property management compliance requirement.

- For the Title I Reading First Grant 2 of 30 equipment items totaling \$14,197, DCPS could not provide invoices and other supporting documents and could not provide support that the equipment was properly identified as a federally funded asset. Total amount of equipment items was \$461,824, which is the total population.
- For the Title I Grant 11 of 30 equipment items totaling \$203,098, DCPS could not provide invoices and other supporting documents. The total amount of equipment sample items was \$739,438. The total amount of the population was \$1,871,861.
- For the Title I Grant 12 of 30 equipment items totaling \$223,598, DCPS could not provide support that the equipment was properly identified in the asset management system. The total amount of equipment sample items was \$739,438. The total amount of the population was \$1,871,861.

No fixed asset inventory was performed in the last 2 years.

Criteria:

OMB Circular A-133 states, “Accurate records [should be] maintained on all acquisitions and dispositions of property acquired with Federal awards [and] Property tags are placed on equipment”.

OMB Circular A-133 states, “...a physical inventory of equipment shall be taken once every two years and reconciled to the equipment records”.

Cause:

DCPS has inadequate controls in place over the tracking and safeguarding of equipment, and the inventory of controllable items less than \$5,000. DCPS has failed in the proper maintenance of its filing system. DCPS lacks policies and procedures over the maintenance of its supporting documents and has inadequate controls over document retention and safeguarding of its documents.

Effect:

Inadequate controls over the tracking, safeguarding, and inventory of equipment can result in risk of loss of controllable inventory items.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Recommendation:

We recommend that DCPS improve its document retention function to ensure that the supporting documentation for all expenditures is retained in order to meet federal requirements of allowable costs and activities allowed. In addition, DCPS needs to be consistent with its physical inventory of controllable inventory items and proper controls over the identification and safeguarding of equipment.

Management Response:

DCPS concurs with the finding and has policies and procedures in place to prevent this situation from reoccurring. These journal entries were processed during a transition period for DCPS, during the restructuring process. DCPS will work closely with the OCFO to ensure adequate controls over the tracking and safeguarding of equipment, and the inventory of controllable items less than \$5,000.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-17	Special Education Cluster (84.027 & 84.173)	Level of Effort	None

Condition:

DCPS does not have controls in place to ensure compliance with level of effort requirements. DCPS has not designated the appropriate staff to perform level of effort calculations. In addition, DCPS does not monitor its compliance with level of effort requirements during the year. Although controls were not established during the fiscal year, DCPS was in compliance with level of effort requirements at the end of the fiscal year.

Criteria:

The Special Education Cluster programs have specific level of effort requirements that are established by the Department of Education.

Cause:

DCPS indicated that computation of compliance with level of effort requirements is only done at the end of each year based on previous years' data. Management does not believe ongoing monitoring was practical or necessary.

Effect:

DCPS' inability to track and monitor costs restricted for particular purposes may lead to noncompliance with laws and regulations of the federal award. Without periodic monitoring and effective controls, DCPS may not identify any potential noncompliance with level of effort requirements for the program.

Recommendation:

DCPS should develop policies and procedures to ensure compliance and monitoring of level of effort requirements on an ongoing basis throughout the year.

Management's Response:

The Office of Special Education (OSE) agrees with the finding and recommendations. In previous years, including FY 04, specific earmarking in grant awards were not segregated into disparate accounts. For FY 05, each earmark has its own distinct budgetary code in order to track and ensure that only appropriate charges are allocated to any particular earmark.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-18	Special Education Cluster (84.027 & 84.173)	Allowable Costs	\$ 70,621

Condition:

Office of Contract Administration (OCA) could not provide adequate supporting documentation (including contract procurement files and/or signed purchase orders) for the following procurement items:

For 1 of 50 control sample items selected totaling \$68,872, only printed purchase orders were provided. No signed purchase order or documentation was provided.

For 1 of 50 control sample items selected totaling \$1,749, the direct voucher and related support was not provided, therefore, it could not be determined if payment by direct voucher was appropriate.

The total amount of all items selected for control testwork was \$4,042,461. The total amount of the population was \$8,693,054.

Criteria:

OMB Circular A-87, Attachment A, Section C, paragraph (1)(j) states, "to be allowable under federal awards, costs must be adequately documented."

Cause:

DCPS lack controls to ensure that supporting documentation is maintained for all federal expenditures.

Effect:

Lack of supporting documentation for program expenditures could result in non-compliance with OMB Circular A-87, procurement, and other federal regulations. Additionally, as DCPS does not have a copy of the contract and is not reviewing the contracts, they may not be aware of contracts that have expired or in which terms have changed.

Recommendation:

We recommend that DCPS ensure that supporting documentation is maintained for all expenditures charged to federal awards. Access to the files should be limited to only authorized personnel. Removal of the supporting documentation should be tracked as to the person removing the documentation and the date the data was removed and returned.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management Response:

The OCA concurs with the finding and recommendations. All OCA staff has been advised that they must retain supporting documents on all PO's and contract actions. An official directive will be issued to ensure that all PO's and contracts will be properly filled in accordance with the procurement and procedures and OMB Circular A-87. OCA is now in the process of analyzing and implementing a new filing system for the office.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-19	Title I (84.010) Improving Teacher Quality (84.367) Special Education Cluster (84.027, 84.173) Head Start (93.600) Title I Reading First (84.357) Title VI State Assessment and Related Activities (84.369)	Procurement, Suspension and Debarment	Not Determinable

Condition:

DCPS does not have controls in place to ensure that vendors and sub-recipients are not suspended or debarred from receiving Federal funds. The fiscal year 2002 and 2003 A-133 Single Audit report identified a lack of controls for suspension and debarment. DCPS's Grant Corrective Action Plan states that procurement has adopted a process as part of their Standard Operating Procedures to be in effect by the end of fiscal year 2003. In FY 2004, we observed that no such controls in place and therefore, reissued this finding. While no controls were present during FY 2004, we determined that DCPS is in compliance with Suspension and Debarment requirements through alternative testwork procedures performed on 30 out of 30 sample items selected.

Criteria:

According to 45 CFR 76, 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 procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub-recipients).

Cause:

DCPS relies on OCA to ensure suspension and debarment requirements are met. However, there is no process to obtain documentation for the grant files to demonstrate compliance has been met.

Effect:

DCPS could inadvertently contract with or make subawards to parties that are suspended or debarred from doing business with the federal government

Recommendation:

We recommend that DCPS work with the OCA to develop procedures to ensure that suspension and debarment requirements are met and documented.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management Response:

DCPS partially concurs with this finding. DCPS relies on the Office of Contract and Acquisition (OCA) website to ensure suspension and debarment requirement are met. OCA posted all suspended or debarred parties on the web to make sure all interested parties get access to the database. DCPS could not inadvertently contract with or make subawards to parties that are suspended or debarred from doing business with the federal government due to the website. In addition, OCA will work to develop documentation procedures to ensure the process works as intended.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-20	Title I (84.010)	Reporting	Not Determinable

Condition:

DCPS could not provide documented evidence that the FY 2003 Student Per Pupil Expenditure (SPPE) data was reviewed by management and approved prior to submission to the National Center for Educational Statistics (NCES). The deadline for the fiscal year 2003 report was September 2004. This report is applicable for the FY 2004 A-133 audit.

Criteria:

The NCES requires the SEA to submit the average SPPE report on an annual basis.

Cause:

Policies and procedures on criteria and methodology to be used for compiling and reporting SPPE data were in place, however, no approval process was followed.

Effect:

Failure to maintain supporting documentation could lead to loss of grant funding.

Recommendation:

All revisions to budget and SPPE data should be adequately documented and retained with clear division of responsibility within the Office of Federal Grant Programs and budget division. Special report compiling criteria and methodologies should be formally developed and provided to the necessary individuals, and be implemented to address inclusion of documented approval procedures. A formal SPPE report review and approval process should be implemented and completed prior to submission of the report.

Management Response:

DCPS disagrees and takes exception to the audit findings. DCPS has a formal policy related to review and approval process. A DCPS staff accountant prepared the NCES report and the Accounting Officer reviewed the work. We agree that all Journal Entries must be supported with full and complete documentation to justify the action taken. In our opinion DCPS is in compliance with related policies and procedures.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-21	Title I (84.010) Improving Teacher Quality (84.367) Special Education Cluster (84.027 & 84.173)	Sub-recipient Monitoring	Not Determinable

Condition:

For Title I and Improving Teacher Quality, we noted the following:

- 1 DCPS did not provide a corrective action plan for one of the four sub-recipient monitoring site visits selected.
- 2 DCPS did not ensure that a corrective action plan was completed for another sub-recipient who, it was determined by reviewing the A-133 audit report, had a repeat finding.

For Special Education Cluster we could not determine what sub-recipient monitoring was performed as documentation of monitoring was not maintained.

Funding provided to subrecipients was as follows:

- Title I \$7,750,023
- Improving Teacher Quality \$2,147,278
- Special Education \$ 953,044

Criteria:

As required by A-102 Common Rule (.40), grantees are responsible for managing the day-to-day operations of grant and sub-grant supported activities. Grantees must monitor grant and sub-grant 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. Also, the Single Audit Act requires the pass-through entity to monitor sub-recipients' use of federal awards through site visits, limited scope audits, or other means.

Cause:

Comprehensive policies and procedures are not in place to ensure adequate sub-recipient monitoring.

Effect:

Inadequate monitoring of sub-recipients could lead to noncompliance with laws and regulations of the federal award.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Recommendation:

When performing sub-recipient site visits, DCPS should document the:

- Scope of the review (i.e. inspection, review of management documentation, review of performance requirements, review of A-133 reports, review of financial requirements, etc.)
- Date of the review
- Person(s) performing the review
- Planned procedures
- Results of the review
- A formalized corrective action plan

Documentation should be kept on all monitoring efforts in the grants monitoring folder.

Management Response:

The OSE agrees with the findings and recommendations. Under the director of the State Enforcement and Investigation Division, the State Monitoring Unit (SMU) has been established to monitor compliance with special education requirements and to ensure that federal grant dollars are used in an appropriate manner. The SMU will monitor all Local Educational Agencies (LEA)s in DC, including DCPS and charter schools, and will also be monitoring nonpublic schools that serve DCPS special education students. This unit was established during FY 04 and has begun the monitoring of schools.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-22			

This finding number was not used.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-23			

This finding number was not used.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

District of Columbia Public Schools

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-24	Title I (84.010)	Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals	Not Determinable

Condition:

The Human Resources Management (HRM) Department could not provide documentation that the teachers and paraprofessionals hired after implementation of the No Child Left Behind Act, met the Act’s standards of a highly qualified teacher or paraprofessionals.

- For 6 of 30 personnel selected, HRM could not verify that these individuals meet the education requirements to be considered Highly Qualified.
- For 7 of 30 teachers and paraprofessionals selected, HRM could not verify if the teacher had a current teaching certificate.

Criteria:

Per the No Child Left Behind Act (34 CFR Sections 200.55, 200.56, and 200.58), all teachers hired after the first day of the 2002-2003 school year and paraprofessionals hired after January 8, 2002 must meet the Highly Qualified Teachers and Paraprofessionals standard as outlined in the Act.

Cause:

DCPS failed to ensure that it retained the necessary supporting documentation to verify that these individuals met the Highly Qualified Teacher and Paraprofessional requirements as outlined by the Code of Federal Regulations.

Effect:

Lack of proper supporting documentation could result in non-compliance with the applicable special test and provision of the grant agreement and other federal regulations.

Recommendation:

We recommend that HRM improve its document retention function and hiring practices to ensure that the supporting documentation for all teachers and paraprofessionals is retained and that the federal requirements for hiring highly qualified teachers and paraprofessionals can be substantiated.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management Response:

The Office of Human Resources (OHR) agrees with the audit findings and recommendations. The OHR recognized this deficiency prior to the audit. To ensure that OHR programmed in the FY 06 personnel budget, an EG-12 Licensure Specialist was established. HR modified the FY 05 personnel staffing plan to support the hiring of the licensure specialist in June 2005. The vacancy was announced, and an applicant has been offered employment.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Human Services

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-25	Vocational Rehabilitation (86.126)	Eligibility	Not Determinable

Condition:

Eligibility determinations within 60 days of the initial application to the program were not performed for 9 of 30 items selected.

Criteria:

Eligibility must be determined within 60 days of the initial application in accordance with the grant requirements.

Cause:

The supervisors responsible for the caseworkers performing eligibility determinations are not monitoring the status of eligibility determinations adequately.

Effect:

Without adequate and timely review, ineligible participants could improperly receive assistance.

Recommendation:

We recommend supervisors should adequately review the applicants' files to ensure that eligibility was determined within the 60 day requirement.

Management Response:

Determining eligibility for the vocational rehabilitation program requires participation of both the counselor and the client. Assessment is part of the process and requires the consumer to go for a medical evaluation or bring in documentation that will verify or document their disability. In many instances, the client does not return the documents timely or go for a medical evaluation during the 60 day period. The reasons for the untimely return of the documents vary from medical reasons, out of town, family emergencies and relocation. The Administration is in the process of hiring additional counselors to be able to aggressively follow-up with the clients to ensure eligibility within the required timeframe.

Edits are in process to be added in our automated system that will alert counselors and supervisors about the time frames. This will assist in tracking and the monitoring of applications and to meet our mandated timeframes. We are also in the process of developing a system that will permit supervisors to review monthly, all applications assigned by their respective counselors, approaching the 60 day time frame.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management has established review mechanisms in the Client Rehabilitation Information System (CRIS) for supervisors to review the Counselor Caseload Progress Report. This report identifies the number of days that the case has been in CRIS. In addition, the supervisors will review cases each time service requests are submitted for approval at the unit level.

Management has developed a training module, which will be initiated during the last two weeks in July 2005. It will be ongoing in-house training and mandatory for all counselors. This training commences with the process from orientation, intake, application process to successful job placement and retention. The training will be scheduled bi-monthly. This training is in addition to contracted and outside training coordinated with RSA's training coordinator.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Human Services

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-26	Child Care Cluster (93.596)	Eligibility	Not Determinable

Condition:

We observed that re-eligibility determinations were not performed timely. Many of the re-eligibility determinations were not performed until three months after the reviews should be performed. Out of a sample of 30 participants, 5 did not have re-eligibility determinations for fiscal year 2004 performed within the required timeframe.

Criteria:

The Office of Early Childhood Development (OECD) Manual on Eligibility for Subsidized Child Care states, "Temporary Assistance to Needy Families (TANF) recipients must have a re-eligibility certification every six months. All others are required to have one annually. TANF recipients engaged in short-term training programs are scheduled for review every 60 days by DHS childcare eligibility workers in order to monitor frequently changing situations."

Further, workers shall establish and maintain a proper case folder for each family receiving subsidized child care, regardless of whether eligibility is based solely on the child's status or on the adults. The folder should be labeled with the applicant's name and should contain all eligibility information for all the children in the family (rather than separate records for each child.)

Cause:

OECD has started using University of the District of Columbia students to assist in reviewing the files; however, these reviews have not been completed. Therefore, OECD has not implemented the proper controls to ensure that re-eligibility determinations are performed as indicated in the OECD manual on eligibility for subsidized childcare. OECD also has not established proper controls to ensure that all case files are well maintained and available when requested.

Effect:

Benefits may be paid for participants who are no longer eligible to receive these benefits. As a result, benefit payments may be overstated.

Recommendation:

We recommend the OECD review the participants' database to identify those participants who are still receiving benefits, but have not received the required re-eligibility determination for fiscal year 2004. These clients' files should be flagged and reviewed to determine whether required re-eligibility determinations are necessary. We further recommend that management hire additional staff to assist the eligibility manager in maintaining adequate records.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management Response:

Management agrees with this finding. OECD has taken two approaches to come into compliance. Approximately 25% of all case records are maintained by child care providers with authority to maintain records and complete eligibility reviews. On a quarterly basis, a report of all records needing review is generated. The reports are sent to each provider with the records they are responsible for reviewing. A 30-day deadline is given to providers to complete the eligibility reviews that are due. After 30 days, another report is generated and providers are sent a notice of those cases still needing review. A final deadline is established and all cases that have not been reviewed by the final deadline are terminated.

Case records maintained by OECD are scheduled for “mass review” periods. Cases are scheduled by worker on a rotating basis with up to 530 eligibility reviews scheduled over a two-week period. Cases are terminated when the family does not appear for review and does not reschedule the appointment. During these mass review periods, appointment times for new customers is severely limited. Caseworkers currently have up to 730 cases per worker. This high caseload impacts the ability to timely review all cases. The assistance of student interns from the University of the District of Columbia has helped identify cases at OECD and those that providers are responsible for in order to prioritize those records that need to be updated. Caseloads continue to be high. A staffing plan to hire four (4) additional caseworkers has been implemented. Additional staff may be starting by August 2005. However, since the last update, one current employee is on administrative leave and a second is on extended sick leave.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Office of Attorney General

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-27	Child Support Enforcement (93.563)	Allowable Costs	\$ 103,364

Condition:

For 1 of 30 expenditures selected, Child Support Service Division (CSSD) failed to adjust a canceled voucher within their financial system in the amount of \$3,364.

In addition, 1 of the 30 expenditure items selected in the amount of \$100,000 was improperly recorded to the program.

The total population of expenditures sampled was \$1,650,195. The total population of contractual services was \$7,432,599.

Criteria:

OMB Circular A-87 states, “to be allowable under federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards; be allocable to Federal awards under the provisions of the Circular; and be adequately documented.”

Cause:

CSSD has failed to establish separate grant index codes to differentiate expenditures between grants. CSSD has also failed to adequately maintain supporting documentation and properly review and monitor expenditure adjustments.

Effect:

Lack of adjusting canceled or unallowed costs could result in non-compliance with OMB Circular A-87 and other federal regulations.

Recommendation:

CSSD should establish policies and procedures to ensure that only expenditures that are allowed and related to the grant be charged to the child support enforcement grant. CSSD should enhance policies and procedures to ensure proper management review.

Management’s Response:

Adequate record retention policies and procedures have been developed for the Division. The policies and procedures in place for financial records are those established pursuant to the District’s Record Retention Schedule. The referenced document in the amount of \$3,364 appears to have been misfiled. We will continue our efforts to locate the document.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-28			

Finding number not used.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Office of Attorney General

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-29	Child Support Enforcement (93.563)	Eligibility	Not Determinable

Condition:

The following conditions existed of the 30 actives cases selected for testwork:

- 7 files were unable to be located. 4 of the 7 files were opened prior to fiscal year 2004.
- 3 cases were duplicated as a result of the interface between the IVA Agency and CSSD systems. 1 of the 3 cases was opened prior to fiscal year 2004. There were no expenditures made associated with the duplicated cases.
- 3 files did not have evidence (signed applications) that the non public assistance individual applied and paid fees to receive child support services. 2 of the 3 files were opened prior to fiscal year 2004.

Criteria:

- 45 CFR Section 303.2(a) (3) states: The IV-D agency must “Accept an application as filed on the day it and the application fee are received. An application is a written document provided by the State, which indicates that the individual is applying for child support enforcement services under the State’s Title IV-D program and is signed by the individual applying for IV-D services.
- 45 CFR Section 303.2 (c) states: “The case record must be supplemented with all information and documents pertaining to the case, as well as all relevant facts, dates, actions taken, contacts made and results in a case.”

Cause:

CSSD has not established adequate policies and procedures for documentation retention.

Effect:

Child Support orders may be incomplete or incorrect. Further, if cases are not established timely, there are unnecessary delays in establishing paternity and obtaining child support orders.

Recommendation:

We recommend that a formal review process is established to ensure that the files and the system contain the same information, the files are complete and accurate and all compliance requirements are met. In addition, management should address the staffing needs of the unit to ensure that there is adequate staff to process all cases in accordance with the compliance requirements.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Management's Response:

CSSD recognizes the importance of a comprehensive annual audit to measure program compliance and effectiveness, but it also should be noted that consistency in the way data is selected and reviewed is the cornerstone to implementing and measuring recommended changes and evaluating program direction. Consistency should mean that cases are selected that were opened since the last audit or that were eligible for review since the last audit so that real progress since the last audit can be monitored. This format for case selection is also recommended in Federal compliance supplement A-133, CFDA 93.563 Child Support Enforcement. It should be noted that although we made the same point last year, again cases opened prior to the last audit findings and recommendations were selected, some of the cases extending as far back as the 1980s and prior to the 1998 conversion of all cases to the new software tracking system. While some of the findings and recommendations are valid and worth discussing in greater detail, many of these findings are unfair and out of context.

One of the conditions cited was that three cases were erroneously created as a result of the interface between the IV-A agency and CSSD systems. The Code of Federal Regulations, 45 CFR § 307 et seq., mandates that child support agencies shall computerize their process in order to automate and streamline the child support services. The automation process allows child support agencies to create, maintain, and update cases electronically. Part of this automation includes interfaces with various agencies that child support agencies work with; chief among these agencies is the one that administers the Temporary Assistance to Needy Families ("TANF" or IV-A agency). The District of Columbia Child Support Enforcement System ("DCCSES") is CSSD's automated system. In accordance with federal regulations, DCCSES has an interface with TANF – the "IV-A interface." A requirement to receive TANF is that the TANF customer must "assign" his/her right to child support payments to the District of Columbia. Through the IV-A interface, TANF "downloads" information about new and renewing TANF customers onto DCCSES, automatically creating a child support case. In essence, the IV-A interface is a substitute for the paper application. Once the information is received via the IV-A interface, DCCSES automatically generates an appointment date, and an appointment letter is sent to the customer. When the customer arrives at CSSD, she or he merely completes a one-page information sheet, which is compared to the information captured via the IV-A interface. Any changes or corrections are made directly onto DCCSES during the interview.

There are challenges involving the software interface and they have been a focus of our Information Technology staff for the past year. CSSD has met on several occasions with the IV-A Agency and together we have established various projects, grants and teams to make our working relationship even closer and the quality of the IV-A interface much better. For this specific condition of creating three new cases erroneously, when such an event happens, it is quickly discovered and the case is closed. While such an event should never happen, as with any software system that "communicates" with another system, such items do rarely occur and they are quickly spotted and handled appropriately. Such anomalies do not result in an expenditure of public funds, a loss of accountability or an inefficient use of personnel resources. They are handled quickly and cheaply by trained reviewers.

As to the Condition that 3 files did not have evidence of a signed application or that a fee had been paid for services, when a custodial parent applies for services and pays the application fee, he or she must only pay that fee one time. If the customer has already paid the fee for one case, there would not be a record of additional fees when he or she adds additional non-custodial parents to her cases for other children.

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We agree that all folders should have the original application. The District of Columbia is a judicial jurisdiction, meaning all child support obligations are created pursuant to a court order. A judge has ruled that the dependent in question is eligible for child support and the case is presented by an Assistant Attorney General with the custodial parent in attendance as a witness. If the custodial parent has not filed an application for IV-D services, these safeguards ensure that the matter would not go forward as a IV-D case. Since it is standard operating procedure and in fact a strict requirement that an application be made and a fee paid in non-TANF cases, CSSD would assert that a presumption of regularity would attach to the file, especially in light of a subsequent court order. While it is not our intent to negate the seriousness of the Condition as written, we do think it is fair to place it in proper context. A review of cases opened since the last audit would reflect new procedures to ensure that all applications for services are properly placed in the hard file and scanned into the electric file.

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Year Ended September 30, 2004

District Agency:

Office of Attorney General

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-30	Child Support Enforcement (93.563)	Procurement, Suspension and Debarment	Not Determinable

Condition:

OCP was unable to provide documentation for our review supporting whether OCP's procurement and sub-awards procedures included suspension and debarment certifications for sub-awards and contracts issued for 9 of 9 contracts selected.

OCP was unable to locate the contract file for 4 of 9 procurement contracts selected. Of the 5 files available:

- 1 file lacked evidence that procurement provided full and open competition and that price analysis was performed, and
- 1 file lacked evidence of required City Council approval.

Criteria:

According to 45 CFR 76, 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 procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub-recipients). OCP's policies and procedures also require contract files be maintained for all procurement contracts.

In addition, OMB Circular A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that procurements (1) are properly documented in the entity's files; (2) provide for full and open competition; and (3) supported by a cost or price analysis and vendor debarred or suspended certifications.

Cause:

CSSD relies on OCP to ensure suspension and debarment requirements are met as well as maintain appropriate procurement documentation.

Effect:

CSSD could inadvertently contract with or make subawards to parties that are suspended or debarred from doing business with the federal government as well as awarded contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and the CSSD may have issued procurement without the appropriate funding.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Recommendation:

CSSD should work with the OCP to develop procedures to ensure that the certification of suspension and debarment is a required document for all procurement contracts or grant awards in which federal funds are used to pay for those goods or services and that required procurement documentation is obtained and retained.

Management's Response:

OCP agrees with this recommendation. OCP recognizes the importance of maintaining complete contract files with the appropriate documentation for all procurements. OCP has developed policies and procedures to standardize the content of procurement files including the requirement of debarment and suspension certification for contracts in excess of \$100,000. OCP will require all bidders/offerors—on solicitations above \$100,000—to complete a certification statement indicating that the business has not been debarred or suspended within the past three years. OCP will verify this certification with local and federal excluded and debarred lists. Additionally, OCP will issue a directive requiring OCP contracting staff to complete a Determination and Findings for Contractor's Responsibility including a debarment and suspension certificate indicating that OCP has verified the vendor's status.

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District Agency:

Office of Attorney General

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-31	Child Support Enforcement (93.563)	Special Test Provisions - Establishment of Paternity And Support Obligations	Not Determinable

Condition:

We noted the following conditions of the 30 fiscal year 2004 active cases selected for testwork associated with Special Test Provisions – Establishment of Paternity and Support Obligations

- 7 case files were unable to be located. 4 of the 7 files were opened prior to fiscal year 2004.
- 17 of 30 case files lacked evidence that the CSSD reviewed the files to establish or attempt to establish paternity within the required time frame. 10 of the 17 case files were opened prior to fiscal year 2004.
- For 4 out of 30 cases, CSSD unsuccessfully attempted to established paternity and order to support through legal process; however, there is no evidence that CSSD attempted other procedures, such as forwarding the case to the “Locate Unit”. 1 of the 4 cases was opened prior to fiscal year 2004.

Criteria:

Sound internal control should ensure that transactions should ensure that transactions are promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports.

According to 45 CFR, “For all cases referred to the IV-D agency or applying for services under Sec. 302.33 of this Chapter, the IV-D agency must, within no more than 20 calendar days or receipt of referral or a case or filling of an application for services under Sec. 302.33, open a case by establishing a case record and, based on an assessment of the case to determine necessary action.”

Also, according to 45 CFR 303.4, within 90 calendar days of locating the alleged father or non-custodial parent, regardless of whether paternity has been established, establish an order to support or complete service of the process necessary to commence proceedings to establish a support order and, if necessary, paternity (or document unsuccessful attempts to serve process), in accordance with the State’s guidelines defining diligent efforts under 45 CFR 303.3.

Cause:

CSSD has not established adequate policies and procedures for documentation retention.

Effect:

Child Support orders may be incomplete or incorrect. Further, if cases are not established timely, there are unnecessary delays in establishing paternity and obtaining child support orders.

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Year Ended September 30, 2004

Recommendation:

We recommend that a formal review process is established to ensure that the files and the system contain the same information, the files are complete and accurate and all compliance requirements are met. In addition, management should address the staffing needs of the unit to ensure that there is adequate staff to process all cases in accordance with the compliance requirements.

Management's Response:

CSSD recognizes the importance of a comprehensive annual audit to measure program compliance and effectiveness, but it also should be noted that consistency in the way data is selected and reviewed is the cornerstone to implementing and measuring recommended changes and evaluating program direction. Consistency should mean that cases are selected that were opened since the last audit or that were eligible for review since the last audit so that real progress since the last audit can be monitored. This format for case selection is also recommended in Federal compliance supplement A-133, CFDA 93.563 Child Support Enforcement. It should be noted that although we made the same point last year, again cases opened prior to the last audit findings and recommendations were selected, some of the cases extending as far back as the 1980s and prior to the 1998 conversion of all cases to the new software tracking system. While some of the findings and recommendations are valid and worth discussing in greater detail, many of these findings are unfair and out of context.

The IV-A interface downloads IV-A custodial parents' information directly onto DCCSES. IV-A customers are required to assign their child support rights to the District. Once this information populates DCCSES, a temporary case is created. The temporary case includes basic information provided by the CP to IV-A: names, addresses, social security numbers, names of children, dates of birth, and information on their father, if known. DCCSES automatically generates an appointment date and appointment letter that is mailed to the customer. If the customer fails to keep the scheduled appointment, the cases is researched by a Support Enforcement Specialist ("SES") to determine if there is enough information to proceed with filing the case without the customer's assistance. If there is not, the case is forwarded to the Locate unit.

If the customer seeking CSSD's services is not receiving IV-A benefits, the customer can mail in the application or return it to CSSD in person. DCCSES automatically tracks when the application was received and that officially opens the case. Again a temporary case is created and an appointment date scheduled. If the customer fails to keep the appointment, a closure letter is sent for non-cooperation. At the end of the required timeframe, the case is closed.

DCCSES tracks information and provides reminders when a task is needed to process a case. If a non-custodial parent's address is invalid, DCCSES automatically puts the case in a locate status. The Locate Unit then utilizes several different locate tools, such as Accurant and Smartlinx, to timely locate the NCP to establish paternity or establish or enforce orders as appropriate.

There are written policies and procedures for processing a case, including checklists to assist SESs. Currently management is streamlining the Intake and Establishment process to avoid unnecessary delays in establishing paternity and obtaining child support orders.

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District Agency:

Office of Attorney General

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-32	Child Support Enforcement (93.563)	Special Test Provisions - Enforcement of Support Obligations	Not Determinable

Condition:

We noted the following conditions of the 30 fiscal year 2004 active cases selected for testwork for Special Test Provisions – Enforcement of Support Obligations:

- 7 case files were unable to be located. 4 of the 7 files were opened prior to fiscal year 2004.
- Support orders were not established for 20 cases. 13 of 20 cases were opened prior to fiscal year 2004.
- CSSD failed to monitor and take appropriate actions to enforce the support order for 1 case. The 1 case was opened prior to fiscal year 2004.

Criteria:

OMB Circular A-87 states “to be allowable under federal awards, cost must be adequately documented.” In addition, per the 45 CFR Section 303.6:

- The IV-D agency must maintain and use an effective system for monitoring the compliance with the support obligation.
- The IV-D agency must maintain and use an effective system for identifying the date the parent fails to make payments in an amount equal to the support payable for one month or on an earlier date in accordance with State law, those cases in which there is a failure to comply with the support obligation.

Cause:

CSSD has not established adequate policies and procedures over the enforcement of support obligations.

Effect:

Child Support orders may be incomplete or incorrect. Further, if cases are not established timely, there are unnecessary delays in establishing paternity and obtaining child support orders.

Recommendation:

We recommend that a formal review process be established to ensure that the files and the system contain the same information, the files are complete and accurate and all compliance requirements are met. In addition, management should address the staffing needs of the unit to ensure that there is adequate staff to process all cases in accordance with the compliance requirements.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Year Ended September 30, 2004

Management's Response:

CSSD recognizes the importance of a comprehensive annual audit to measure program compliance and effectiveness, but it also should be noted that consistency in the way data is selected and reviewed is the cornerstone to implementing and measuring recommended changes and evaluating program direction. Consistency should mean that cases are selected that were opened since the last audit or that were eligible for review since the last audit so that real progress since the last audit can be monitored. This format for case selection is also recommended in Federal compliance supplement A-133, CFDA 93.563 Child Support Enforcement. It should be noted that although we made the same point last year, again cases opened prior to the last audit findings and recommendations were selected, some of the cases extending as far back as the 1980s and prior to the 1998 conversion of all cases to the new software tracking system. While some of the findings and recommendations are valid and worth discussing in greater detail, many of these findings are unfair and out of context.

The second condition for the finding is that the auditor found 20 instances in which a support order was not established. That fact alone says nothing about the strength of the enforcement program in CSSD, owing to the vast number of reasons that would explain the lack of a support order. Further it is not the responsibility of the Enforcement Unit to obtain support orders. It is their responsibility to have orders enforced once obtained. DCCSES utilizes automated tools to locate NCPs through batch interfaces with Federal Case Registry (new hire information), DMV (Department of Motor Vehicles) for home address information for the non custodial parent, as well as IRS information. Other automated enforcement tools are used to ensure compliance with support orders. The automated tools include tax intercepts, credit bureau reporting, passport revocation, driver's license revocation, financial institution data matches ("FIDM"), lottery intercepts and unemployment benefits, DCCSES is programmed to begin automatic enforcement when the NCP fails to pay his or her support obligation or the accumulation of arrearages reaches a certain threshold. See D.C. Official Code §§ 46-224, 46-224.01, 46-225, and 46-225.01 (2001 ed.). DCCSES assigns cases to case workers when the non custodial parent becomes delinquent for 30 days of child support.

The automated enforcement actions are noted on the appropriate DCCSES screens when arrearages reach a certain threshold. These screens document the actions taken, including any correspondence automatically generated and dates the action or correspondence is generated. The audit did not indicate that DCCSES failed to take the automated enforcement actions.

We agree that additional staffing for the District's child support program would greatly assist in ensuring effective child support services. It should also be noted that the District's performance level, as measured by the Federal 157 Report for FY 04, increased in the categories of Current Collections and Arrears Collections for the year.

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District Agency:

Office of Attorney General

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-33	Child Support Enforcement (93.563)	Special Test Provisions - Securing and Enforcement Of Medical Obligations	Not Determinable

Condition:

We noted the following conditions of the 30 fiscal year 2004 active cases selected for testwork related to Special Test Provisions – Securing and Enforcement of Medical Obligations:

- 7 case files were unable to be located. 4 of the 7 files were opened prior to fiscal year 2004.
- 19 of the 30 cases reviewed had no evidence that CSSD determined that the custodial parent had satisfactory health insurance other than Medicaid. 12 of the 19 cases were opened prior to fiscal year 2004.
- 19 instances in which there was lack of evidence that CSSD petitioned the court or administrative authority to include health insurance. 12 of the 19 cases were opened prior to fiscal year 2004.

Criteria:

OMB Circular A-87 states “to be allowable under federal awards, cost must be adequately documented.” In addition, per the 45 CFR Section 303.1, for those cases where there is an assignment as defined in Sec. 301.1:

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

Cause:

CSSD has not established adequate policies and procedures over the enforcement of medical support obligations.

Effect:

Child Support orders may be incomplete or incorrect. Further, if cases are not established timely, there are unnecessary delays in establishing paternity and obtaining child support orders..

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Year Ended September 30, 2004

Recommendation:

We recommend that a formal review process is established to ensure that the files and the system contain the same information, the files are complete and accurate and all compliance requirements are met. In addition, management should address the staffing needs of the unit to ensure that there is adequate staff to process all cases in accordance with the compliance requirements.

Management's Response:

CSSD recognizes the importance of a comprehensive annual audit to measure program compliance and effectiveness, but it also should be noted that consistency in the way data is selected and reviewed is the cornerstone to implementing and measuring recommended changes and evaluating program direction. Consistency should mean that cases are selected that were opened since the last audit or that were eligible for review since the last audit so that real progress since the last audit can be monitored. This format for case selection is also recommended in Federal compliance supplement A-133, CFDA 93.563 Child Support Enforcement. It should be noted that although we made the same point last year, again cases opened prior to the last audit findings and recommendations were selected, some of the cases extending as far back as the 1980s and prior to the 1998 conversion of all cases to the new software tracking system. While some of the findings and recommendations are valid and worth discussing in greater detail, many of these findings are unfair and out of context.

The court makes a decision as to whether or not the non-custodial parent or custodial parent should be ordered to provide medical. If the court makes a determination that neither the non-custodial or custodial parent can provide medical insurance, the custodial parent is encouraged to apply for Medicaid benefits to ensure that all dependents in the court-ordered cases is covered under a health insurance plan.

In our review, we have discovered court-ordered cases in which a medical support order was not established. There are several reasons for the lack of medical support orders at the time of the court hearing. It could have been delayed because of the employment status of the non-custodial parent, the lack of available health insurance, or the lack of available income to provide for health coverage. However, these cases are being referred to the Legal Unit for modification so that a medical support order can be established. Furthermore, it is CSSD's policy to seek medical support in every newly established court order.

A Medical Support Unit was established in August 2004 and currently consists of 8 employees. The overall mission of the unit is to review court-ordered cases to determine if medical support was ordered and to take the necessary actions to be in compliance with Federal Regulations. In an effort to meet our goal, we have taken the following steps:

- Developed and implemented Policies and Procedures regarding the health insurance aspect of the court order.
- Created Checklist to be used by staff for case clean up.
- Trained staff.
- Reviewed more than 10,000 cases and taken the necessary actions to enforce the medical support order or forward to our legal section for establishment of a medical support order.

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- Established performance goals for case processing.
- Created case processing flow charts, which demonstrate the following five areas from which cases are received and the steps taken for further action.
- Data Reliability Unit
- Monetary 93
- Customer Service Referrals
- New Hire Report
- Previously Established Court Order Report (All court orders established prior to 6/06/04)

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Year Ended September 30, 2004

District Agency:

Office of Attorney General

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-34	Child Support Enforcement (93.563)	Special Test Provisions - Interstate Cases	Not Determinable

Condition:

We noted the following conditions of the 30 fiscal year 2004 interstate cases selected for testwork related to Special Test Provisions – Interstate Cases:

- 7 case files were unable to be located. 5 of the 7 case files were opened prior to fiscal year 2004.
- For 5 interstate responding cases reviewed, there was lack of evidence that CSSD acknowledgement of the case was not done within 10 working days as required. 5 of the 5 cases were opened prior to fiscal year 2004.
- 8 instances where there was lack of evidence to indicate whether the documentation received by CSSD was adequate and services were provided within 75 calendar days. 7 of the 8 cases were opened prior to fiscal year 2004.
- 8 instances which lacked supporting documentation to determine whether paternity was established or whether a support order based on paternity was established. 6 of the 7 cases were opened prior to fiscal year 2004.
- 9 instances in which there was lack of documentation to determine whether CSSD sent a request for review of the child support order within 20 calendar days of determining that a request for review of the order should be sent to the other State or what actions were taken in the case. 7 of the 9 cases were opened prior to fiscal year 2004.
- 7 instances in which there was lack of documentation related to the determination of what documentation CSSD provided to the responding state or could not determine whether the documentation submitted by CSSD was sufficient, accurate information for the responding State to act on the case. 6 of the 7 instances were opened prior to fiscal year 2004.

Criteria:

Sound internal control should ensure that transactions are promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports

According to 45 CFR, “For all cases referred to the IV-D agency or applying for services under Sec. 302.33 of this Chapter, the IV-D agency must, within no more than 20 calendar days of receipt of referral or a case or filling of an application for services under Sec. 302.33, open a case by establishing a case record and, based on an assessment of the case to determine necessary action.”

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Year Ended September 30, 2004

Cause:

CSSD has not established adequate documentation retention policies and procedures for interstate cases.

Effect:

Child Support orders may be incomplete or incorrect. Further, if cases are not established timely, there are unnecessary delays in establishing paternity and obtaining child support orders.

Recommendation:

We recommend that a formal review process is established to ensure that the files and the system contain the same information, the files are complete and accurate and all compliance requirements are met. In addition, management should address the staffing needs of the unit to ensure that there is adequate staff to process all cases in accordance with the compliance requirements.

Management's Response:

CSSD recognizes the importance of a comprehensive annual audit to measure program compliance and effectiveness, but it also should be noted that consistency in the way data is selected and reviewed is the cornerstone to implementing and measuring recommended changes and evaluating program direction. Consistency should mean that cases are selected that were opened since the last audit or that were eligible for review since the last audit so that real progress since the last audit can be monitored. This format for case selection is also recommended in Federal compliance supplement A-133, CFDA 93.563 Child Support Enforcement. It should be noted that although we made the same point last year, again cases opened prior to the last audit findings and recommendations were selected, some of the cases extending as far back as the 1980s and prior to the 1998 conversion of all cases to the new software tracking system. While some of the findings and recommendations are valid and worth discussing in greater detail, many of these findings are unfair and out of context.

KPMG notes that out of 30 selected interstate cases, CSSD could not locate files for 7 items. Actually only 4 files could not be located, representing 4 cases. One case was opened in May 2003, is a non-TANF case that has been closed, no action was ever taken in the case, and there was no non-custodial parent or child ever associated with the case. Thus, by definition it was not a IV-D case. It is also noted that the case was created by the initials "T1T". This was a test case or a training vehicle and should not have been included in the audit cases. All other missing files were pre-2004 cases. CSSD has worked diligently to implement file retention procedures that hopefully prevent the inability to locate files. In the 2005 Federal Data Reliability Audit CSSD was able to produce 100% of all audited files.

What follows in the Condition portion of the finding is that the Interstate Unit could not document that various federal timelines were met in the processing of between 7 and 9 of the cases reviewed depending on the timeline involved. CSSD is currently creating workflows to address the processing of Interstate Cases. The program recognizes that improvements are warranted and will continue to strive to meet the performance goals. Interstate case processing is difficult. We have stressed the importance of documentation in DCCSES to support why timeframes have not been met. A review in DCCSES should provide the auditors with why a case has not established paternity if paternity is in issue, or why there may not yet been a court order. The reasons can vary from not having received the correct paperwork from another state and we requested it and are waiting, to failure to locate the non-custodial parent, to

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Year Ended September 30, 2004

abandonment of the case by the custodial parent. It would be the rare case that would not have within DCCSES a full explanation for what has happened in the case.

One of the “conditions” noted was that there was “no documentation to determine whether CSSD sent a request for review of the child support order within 20 calendar days of determining that a request for review of the order should be sent to the other state or what actions were taken in the case.” This is a misquote of the federal requirement which is that such actions should be sent to another state within 20 calendar days of determining that a request for review is appropriate. 45 CFR, Section 303.7(b) (2). While it may be true that it is difficult to determine if we met the 20 day standard after a request to review the order has been made, the root of the problem is that it is a subjective determination in the mind of the child support specialist as to when such action is appropriate, and that much can depend on the cooperation of the custodial parent to support a request for review by providing complete financial data. Further, we recognize that in clear cases calling for review of the support order there needs to be the input of an action code into DCCSES so that timelines have a start date for each type of action. This was recognized several months ago and we have moved to upgrade all action codes so that all applicable timelines may be measured.

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Year Ended September 30, 2004

District Agency:

District of Columbia Energy Office

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-35	Low Income Home Energy Assistance Program (93.568)	Allowable Costs	\$ 45,000

Condition:

We noted the following from the sample of thirty expenditure transactions selected:

- Improper segregation of duties as the program manager had access with encumbering funds, reviewing and approving invoices and approving (releasing) payment within the financial system
- One expenditure transaction for \$45,000 was erroneously charged to Low Income Home Energy Assistance Program (LIHEAP) and support was not provided that the charges were offset against future expenditures.
- One expenditure item in the amount of \$87,400 was paid prior to the execution of an amendment to an original contract. The amount of the expenditure item which was in excess of the original contract was \$51,700. However, the expenditure amount was allowable.

Criteria:

According to OMB Circular A-87, cost must be necessary and reasonable. A cost is reasonable if, in its nature and amount It does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Per DCEO's policies and procedures, expenditures must be reviewed prior to payment by management.

Cause:

There was an inadequate review of expenditure documentation prior to payment. DCEO policies and procedures allow the same employee to encumber funds, review invoices and approve payment in SOAR.

Effect:

Inadequate management review increases the risk that inaccurate or improper reporting may not be prevented or detected and corrected on a timely basis. This could lead to disallowed costs.

Recommendation:

DCEO should ensure that expenditures are properly reviewed by management prior to payment. In addition, the person encumbering the funds should be the same person responsible for reviewing and approving the invoices and releasing the payment in the financial system.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management Response:

DCEO believes that the segregation of duties has not been “improper.” The program manager, although involved at many stages, does not have the security to encumber funds in either PASS or SOAR. A Requestor enters procurement requests in PASS. The program manager provides preliminary approval, and then the request is reviewed and approved by the Contracting Officer in the procurement office. A purchase order is generated only after this final approval by the Contracting Officer. Invoices are received, reviewed, and entered by the accounts payable unit, and reviewed and approved by the Accounts Payable Manager. Invoices can only be entered in PASS if a Receiver has entered matching receiving information, acknowledging receipt of the goods or services. The program manager has no role in making payments in PASS.

Sub-grants are encumbered and paid in ADPICS. The sub-grant award document is reviewed and signed by the DCEO Director and the sub-grantee. A Grants Management Specialist can only enter an encumbering document after the award has been signed. Electronic approval is then required from the Grants Management Specialist and the Director. The program manager is authorized to electronically approve for the Director, and has on occasion approved in place of the Grants Management Specialist, but only after the award document has been reviewed and signed by the Director. The member of the program staff who is responsible for supervising the sub-grant activity prepares payment requests. All payment requests are reviewed and entered by the accounts payable unit. The approval path is the same as for encumbrances in ADPICS.

Benefit payments are made as direct vouchers in ADPICS. The eligibility of the client is verified by an intake worker, and reviewed by a second intake worker. The program manager then receives a report from the agency database, listing the clients and payment amounts for each vendor. The program manager then submits a payment request to the accounts payable unit, who reviews the request and enters the direct voucher in ADPICS. The approval path is then the same as previously described.

As of June 14, 2005, the LIHEAP program manager is no longer being used as an alternate approver for the Director for any transactions charged to LIHEAP.

Revisions to procedures are under way to improve the approval path in SOAR. Encumbrances for sub-grants will be entered by a budget analyst and approved by the Agency Fiscal Officer. Sub-grant and benefit payments will continue to be entered by the accounts payable unit, and approved by the Accounts Payable Manager.

The expenditure transaction for \$45,000 error was identified and corrected prior to the closing of fiscal year 2004. The expenditure was reversed on December 20, 2004 (effective date September 30, 2004). This transaction reduced LIHEAP expenditures by the \$45,000 in question and increased the expenditures for the correct grant (the Niche Market Expansion grant). The revenue was offset against FY05 expenditures on December 22, 2004. This transaction reduced the revenue recognized against AY 2004 expenditures and increased the revenue recognized against AY 2005 expenditures

DCEO concurs with the finding related to the expenditure of \$87,400. The Grants Management Specialist is providing monthly reports and meeting regularly with the program manager to assure that all necessary subgrant documents are processed in a timely manner in the future.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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District Agency:

District of Columbia Energy Office

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-36	Low Income Home Energy Assistance Program (93.568)	Reporting	None

Condition:

KPMG noted the following:

- DCEO failed to complete and submit the required annual SF-269A Financial Status Report to the Department of Health and Human Services (HHS) in a timely manner.
- DCEO was unable to provide us the underlying data to support the computation for the projected unobligated balance of the “*LIHEAP Carryover and Reallotment Report*”.
- DCEO was unable to provide us the underlying data to support the “*Annual Report on Households Assisted by LIHEAP*”.

Criteria:

DCEO is required, under the terms of the grant award, to submit to the 269A Financial Status Report 90 days after the end of the fiscal year.

Cause:

There are no written policies or procedures on the criteria and methodology to be used for compiling and reporting the required data.

Effect:

Failure to submit reports on time could result in the suspension or termination of funding. In addition, weak internal controls over maintenance of supporting documentation could lead to disallowed costs.

Recommendation:

DCEO should establish policies and procedures over the maintenance of underlying data for a period of time. We also recommend that DCEO establishes policies and procedures to ensure that the necessary reports are filed timely.

Management Response:

DCEO concurs with this finding. The Financial Status Reports were sent to HHS on April 8, 2005. The consolidation of the Grants Management Specialist into the Office of the Chief Financial Officer (OCFO), along with the hiring of an Agency Fiscal Officer for the DCEO, has provided greater support and oversight for DCEO financial operations. This will allow the Grants Management Specialist to assure that future financial status reports are submitted by December 29 each year.

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The Carryover and Reallotment Report only has one line that can be documented, and that is the first line that states the amount of the federal grant award. The other data is a calculation of 10% of the award amount, and the program manager's estimate, as of August 1, of how much of the award he thinks will be carried over to the next fiscal year.

A report from the DCEO database was the support for the LIHEAP Household Report. This data was not attached to the copy of the report when it was filed. The program manager will file all supporting documentation with future reports.

Future copies of the two reports cited, along with all supporting documentation, will be provided to the Grants Management Specialist for inclusion in the office grant file at the same time that the reports are submitted to HHS. This will assure that all supporting documentation is correctly filed and can be provided in a timely manner.

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Year Ended September 30, 2004

District Agency:

Child and Family Services Administration

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-37	Foster Care (93.658)	Eligibility	\$ 15,366

Condition:

For 2 of 30 payments selected, the foster care provider (FCP) to whom the District of Columbia Child and Family Services Agency (CFSA) paid Title IV-E Foster Care subsidy payments was not properly licensed. In each of these instances, the FCP was licensed prior to the service month tested, but the license period subsequently expired. Both FCPs then underwent a period of time when they were un-licensed before a new license was granted. This period of a lapse in licensure results in all costs made to these providers to be deemed as unallowable as the payments were made to unlicensed FCPs and subsequently claimed for Federal reimbursement under Title IV-E Foster Care.

Total amount of payments selected was \$107,898.

Criteria:

Per 42 USC 671(a)(10) and 672(c), foster family homes or child-care institutions must be fully licensed by the proper State Foster Care licensing authority.

Cause:

There are two staff persons in the CFSA eligibility determination unit handling a caseload of approximately 3,000 active cases. Redeterminations of eligibility are only performed when cases come up for review, audit, or when there is a change in placement of the child. The eligibility unit is also focused on eliminating the current backlog of initial case determinations, before it focuses on completing redeterminations. If adequate, timely redeterminations of eligibility were performed, CFSA would have identified these lapses in licensure and possibly lessened the period during which payments became non-claimable. Additionally, if a system were instituted by the foster care provider licensing unit to identify FCPs with licenses soon to expire, such lapses might be avoided entirely.

Effect:

These lapses in licensure of foster care providers results in unallowable costs, as only payments made to fully licensed foster care providers on behalf of eligible children may be claimed for Federal reimbursement.

Recommendation:

We recommend that CFSA take corrective action to ensure any lapses in licensure are eliminated. Failure to do so will adversely affect the District's ability to claim reimbursement of foster care costs claimed from the Federal government. Identifying these lapses in a timely manner is integral to ensuring the problem is resolved as expediently as possible. Such identification would be possible if a strong set of internal control over eligibility and licensing was implemented. Additionally, an effective system of internal control allowing the foster care provider licensing unit to identify FCPs with licenses soon to expire would help to ensure such lapses do not occur.

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Management's Response:

Since 2003 Child and Family Services Agency has operated under an Implementation Plan based on the Modified Final Order of Federal District Court. (LaShawn v. Williams) As a result, we give focus to licensing as one of our primary performance benchmarks. Since 2004, after implementing many strategies and making clearer contractor expectations, we have experienced significant improvements in the numbers of licensed placements for children. FACES now has in place a notification system that reminds private agency providers 120 days prior to an expiration of one of their homes. CFSA Monitors routinely interact with private agency providers to ensure that they are engaging in the planning that is required to avoid the expiration of licenses. In October 2003, private agency providers were evaluated on their performance in several of the benchmark areas. During that time staffings were also held with unlicensed foster parents to determine barriers to licensure. In September 2004, private agency directors received letters outlining their performance and expectations for improvement. There has been intensive review of the licensing practices of private providers, and where necessary, corrective action plans have been required. For our providers who license homes in Maryland, we have begun sharing performance information with the State. Lastly, this year CFSA began the process of developing language to incorporate a liquidated damages clause to impose when contracted providers fail to maintain valid licenses of homes and facilities. These are but a few of the strategies that CFSA has implemented to promote the goal of safety for all children involved with the agency. The agency acknowledges that despite all of our efforts, there are occasions when lapses occur. Often times, it is the direct result of private providers not initiating relicensure in a timely manner, or the resistance of foster parents to act on the requirements to renew. It is expected that the potential financial impact of liquidated damages will motivate private providers to act with greater assertion to minimize lapses and improved relationships with foster parents will result in the understanding of the importance of licensure.

A recent federal Eligibility Review revealed problems related to claiming foster care "Maintenance" costs for otherwise IV-E Eligible/Reimbursable children residing in unlicensed placements, including those for whom a license had expired. A "Performance Improvement Plan" (PIP) was prepared for Region III, DHHS, ACF officials as a result of the review findings. Sections I.B.3 and IIIA-F of the PIP document action steps related to eliminating IV-E claiming for unlicensed placements in the month-of-service. As a result of Eligibility Review findings and PIP Action Steps, the FACES methodology for editing claims for provider eligibility (i.e. licensure) was significantly revised. The new methodology was implemented beginning in the 1st Quarter of FY05. Internal sampling of both 1st and 2nd Quarter IV-E Maintenance claiming related to provider licensure revealed no instances of improper claiming.

For the purposes of this audit, the amount specified covers the period of license expiration for the two unlicensed homes.

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District Agency:

Child and Family Services Administration

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-38	Foster Care (93.658)	Eligibility	Not Determinable

Condition:

Through testwork, it was determined that there was a lack of timely eligibility redeterminations over existing CFSA Foster Care cases. All 30 of the Foster Care cases selected for testing had eligibility redeterminations performed in the 2-week period prior to the start of our audit fieldwork at CFSA (approximately 6 months after fiscal year end). Additionally, there was no formal internal control procedure established to perform a periodic quality control review by a supervisory of eligibility determinations.

Criteria:

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

Cause:

There are two staff people in the CFSA eligibility determination unit handling a caseload of approximately 3,000 active cases. Redeterminations of eligibility are only performed when cases come up for review, audit, or when there is a change in placement of the child. The eligibility unit is also focused on eliminating the current back-log of initial case determinations, before it focuses on completing redeterminations.

Effect:

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

Additionally, the lack of a formal supervisory quality control review process of initial eligibility determinations and redeterminations could potentially result in errors in federal claiming. Children who were actually eligible for reimbursement could be incorrectly determined to be ineligible, and without a supervisory review of that determination, CFSA would be unable to claim federal reimbursement. Conversely, cases that were incorrectly deemed eligible would be claimed as eligible for reimbursement resulting in disallowed costs.

Recommendation:

CFSA must establish procedures to ensure that all initial eligibility determinations and redeterminations are performed in a timely manner. Additionally, a supervisory quality control review should be placed into

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operation so that additional assurance might be provided that eligibility determinations are complete and accurate.

Management Response:

We concur with the audit findings.

CFSA management is currently engaged in several activities intended to address the identified deficiencies. Prior to the audit, the Special Assistant for Revenue Maximization and the staff of the Eligibility Unit were transferred from the Office of the Chief Financial Officer (under the District CFO) to the Office of the Deputy Director for Administration (CFSA). Consulting services have been obtained to reduce the eligibility determination backlog and to provide initial technical assistance in redesigning the organizational structure and workflow process associated with recovery of federal revenues. A more ambitious Request for Proposal is about to be released; work products include those discussed above plus; recommendations related to job descriptions and staffing levels of Eligibility Determination Specialists and those for other (current or proposed) staff involved in federal revenue recovery efforts; development/refinement of procedure related to revenue recovery; dissemination and training regarding those procedures; and the creation of a quality control function related to federal revenue recovery activity. The primarily federal revenue sources for this initiative are Title IV-E Foster Care and Adoption Assistance.

Resolution of the foster care and adoption assistance eligibility backlog and action on eligibility unit job descriptions and staffing levels (coupled with a formal quality control process) are reasonably expected to lead higher levels of IV-E maintenance revenue (elimination of the backlog) and to make it possible to complete foster care re-determinations in a timely manner assuring more accurate claiming. The anticipated date for resolution is early FY2006.

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District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-39	Housing Opportunities for People with AIDS (14.241)	Allowable costs	Not Determinable

Condition:

The Department of Health (DOH) is not in compliance with OMB Circular A-87. 2 out of 8 employees were improperly excluded from the semi-annual A-87 Certification(s). The amount of salaries paid for the two employees equaled \$73,728. The amount of salaries tested equaled \$180,269. The payroll costs equaled \$180,269.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on the payroll documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unity.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - 1) More than on federal award,
 - 2) A federal award and nonfederal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities, which are allocated using different allocation bases.
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 2) They must account for the total activity, for which each employee is compensated.
 - 3) They must be prepared at least monthly and must coincide with one or more pay periods and
 - 4) They must be signed by the employee.

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6. Budget estimates or other distribution percentages determine before the services are performed do not qualify as support for charges to Federal awards by may be used for interim accounting purposes, provided that:
- 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed,
 - 2) At least quarterly, comparisons of actual costs to budget 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 difference between budgeted and actual costs are less than 10 percent,
 - 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

DOH employees failed to follow existing policies and procedures for recording time and expenses associated with working on grant-funded programs.

Effect:

Payroll expenditures related are not supported as required by federal regulations.

Recommendation:

Where employees work solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

DOH agrees with the finding that the employees identified were omitted and/or included, in error, from the A-87 during the certification process. However, the employees worked on the grant and their expenditures were properly recorded to the grant. DOH is in the process of performing a department-wide analysis of payroll records and position control systems (i.e., Schedule A and PeopleSoft) to verify that all employees are properly coded to their designated work area and to avoid omissions from the A-87 certification.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-40	Housing Opportunities for People with AIDS (14.241)	Earmarking	None

Condition:

HIV AIDS Administration (HAA) management was not able to provide timely supporting documentation demonstrating its compliance with the earmarking requirements for fiscal year 2004. However, the District is in compliance with the earmarking requirements.

Criteria:

The Code of Federal Regulations (24 CFR section 574.400 and 24 CFR section 574.300(b)(10)(i)-(ii)) together with OMB Circular A-133 Compliance Supplement provides for level of effort and earmarking requirements for Housing Opportunities for Persons with AIDS Grant program.

Cause:

HAA experienced a turnover of management, which made document retention an issue during the year.

Effect:

Failure to track expenditures for earmarking results in noncompliance with the code of federal regulations for the Housing Opportunities for Persons with AIDS Grant.

Recommendation:

HAA should establish procedures whereby a staff person is assigned responsibility to monitor expenditures made during the year to ensure that level of effort and earmarking requirements are met.

Management's Response:

DOH concurs with the finding. The Department will assign staff the responsibility of monitoring expenditures for earmarking and level of effort requirements.

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Year Ended September 30, 2004

District Agency:
Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-41	Housing Opportunities for Persons with AIDS (14.241)	Reporting	None

Condition:

Supporting documentation provided to support financial amounts for HUD 40110 report submitted in FY04 did not agree with the HUD 40110 report.

Criteria:

Sound internal control should ensure that reports filed with the federal awarding agency are properly supported by the books and records of the grantee.

Cause:

Management turnover at HAA at the end of fiscal year 2004 made it difficult for new management to properly trace the financial amounts from the related supporting documentation during fiscal year 2004.

Effect:

Failure to submit reports with accurate information may result in reductions in grant awards. In addition, failure to complete required reports accurately will lead to noncompliance with Federal regulations.

Recommendation:

HAA should strengthen recordkeeping controls to ensure that reports are accurate.

Management's Response:

DOH concurs with the finding. The OCFO will work with HAA to ensure that all financial information is properly supported in future reports.

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District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-42	Housing Opportunities for People with AIDS (14.241)	Sub-recipient monitoring	Not Determinable

Condition:

The HIV AIDS Administration is not performing adequate sub-recipient monitoring of its two sub-recipients on an annual basis. During our testwork, we noted:

1. One sub-recipient monitoring folder was not provided;
2. For the other sub-recipient tested:
 - Documentation of follow-up corrective action was not provided;
 - An A-133 report was not provided for the sub-recipient who is required to have an A-133 audit; further, documentation of action taken to require the sub-recipient to submit the required audits was not provided; and
 - Documentation of the impact of noncompliance identified at the sub-recipients was not provided.

Total amount passed through to sub-recipients was \$10,133,755

Criteria:

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

Cause:

DOH does not adhere to policies and procedures in place to comply with the requirements of OMB Circular A-133 for sub-recipient monitoring.

Effect:

Improper monitoring of sub-recipients could lead to noncompliance with laws and regulations of the Federal awards.

Recommendation:

When performing sub-recipient site visits, HAA should document on the monitoring tool:

- Scope of the review (i.e. inspection, review of management documentation, review of performance requirements, review of A-133 reports, review of financial requirements, etc.)
- Date of the review

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- Person(s) performing the review
- Planned procedures
- Results of the review
- A formalized corrective action plan

Documentation should be kept on all monitoring efforts in the grants monitoring folder.

HAA should also establish safeguards to ensure that all sub-recipients have an A-133 audit as appropriate.

Management's Response:

DOH concurs with the finding. The Department has developed protocols and an action plan for subrecipient monitoring. Site visits will be conducted and documented periodically for each subrecipient.

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District Agency

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-43	Public Health and Social Services Emergency Fund (93.003)	Equipment and Real Property Management	Not Determinable

Condition:

An inventory for federally funded equipment has not been performed within the past two years.

Criteria:

Per CFR 45, Paragraph 92.32(d)(2) "A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years."

Cause:

The District was unable to fully implement all aspects of the equipment purchase process due to the shortage of staff.

Effect:

Failure to perform bi-annual physical inventory could result in noncompliance with the Federal requirements

Recommendation:

Management should ensure that the Property Control Officer coordinates with OCFO in ensuring that the proper procedures for the purchase of equipment are followed. Management should also perform a bi-annual physical inventory of all federally funded equipment.

Management's Response:

DOH agrees with the finding. The District of Columbia is in the process of conducting a District-wide physical inventory in FY 2005.

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District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-44	Public Health and Social Services Emergency Fund (93.003)	Procurement, Suspension and Debarment	\$ 64,000

Condition:

For 2 of 8 contract files totaling \$272,065, OCP could not provide the following:

- One contract was missing the required verbal/written quotes. The total amount of this contract was \$64,000.
- A Suspension and Debarment Certificate was not maintained for 1 contract in excess over \$100,000. The total amount of the contract was \$208,065. We performed other procedures and determined that the vendor was in compliance with suspension and debarment requirements.

Criteria:

According to 45 CFR 76, 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 procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub-recipients). OCP's policies and procedures also require contract files be maintained for all procurement contracts.

In addition, OMB Circular A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that procurements (1) are properly documented in the entity's files; (2) provide for full and open competition; and (3) supported by a cost or price analysis and vendor debarred or suspended certifications.

Cause:

DOH relies on OCP to ensure suspension and debarment requirements are met as well as maintain appropriate procurement documentation.

Effect:

DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the federal government as well as awarded contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and the CSSD may have issued procurement without the appropriate funding.

Recommendation:

DOH should work with the OCP to develop procedures to ensure that the certification of suspension and debarment is a required document for all procurement contracts or grant awards in which federal funds are

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used to pay for those goods or services and that required procurement documentation is obtained and retained.

Management's Response:

OCP agrees with this recommendation. OCP recognizes the importance of maintaining complete contract files with the appropriate documentation for all procurements. OCP has developed policies and procedures to standardize the content of procurement files including the requirement of debarment and suspension certification for contracts in excess of \$100,000. OCP will require all bidders/offerors—on solicitations above \$100,000—to complete a certification statement indicating that the business has not been debarred or suspended within the past three years. OCP will verify this certification with local and federal excluded and debarred lists. Additionally, OCP will issue a directive requiring OCP contracting staff to complete a Determination and Findings for Contractor's Responsibility including a debarment and suspension certificate indicating that OCP has verified the vendor's status.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-45	Centers for Disease Control – Investigations and Technical Assistance (93.283)	Allowable Costs	Not Determinable

Condition:

The Department of Health is not in compliance with OMB Circular A-87. 2 out of 25 employees were improperly excluded from the semi-annual A-87 Certification(s). The total salary for the two employees was \$153,510. The total amount of sample selections was \$1,207,661. The total payroll costs equaled \$2,758,844.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on the payroll documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unity.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - 1) More than on federal award,
 - 2) A federal award and nonfederal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities, which are allocated using different allocation bases.
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 2) They must account for the total activity, for which each employee is compensated.
 - 3) They must be prepared at least monthly and must coincide with one or more pay periods and
 - 4) They must be signed by the employee.

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6. Budget estimates or other distribution percentages determine before the services are performed do not qualify as support for charges to Federal awards by may be used for interim accounting purposes, provided that:
- 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed,
 - 2) At least quarterly, comparisons of actual costs to budget 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 difference between budgeted and actual costs are less than 10 percent,
 - 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

DOH employees failed to follow existing policies and procedures for recording time and expenses associated with working on grant-funded programs.

Effect:

Payroll expenditures related are not supported as required by federal regulations.

Recommendation:

Where employees work solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

DOH agrees with the finding that the employees identified were omitted and/or included, in error, from the A-87 during the certification process. However, the employees worked on the grant and their expenditures were properly recorded to the grant. DOH is in the process of doing a department-wide analysis of payroll records and position control systems (i.e., Schedule A and PeopleSoft) to verify that all employees are properly coded to their designated work area and to avoid omissions from the A-87 certification.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:
Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-46	Centers for Disease Control – Investigations and Technical Assistance (93.283)	Equipment and Real Property Management	Not Determinable

Condition:

An inventory of federally funded equipment has not been performed within the past two years. Further, detail records of 3 equipment purchases were erroneously not integrated into the Fixed Asset System.

Criteria:

Per CFR 45, Paragraph 92.32(d)(2) “A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years.” In addition per CFR 45, Paragraph 92.32(d)(1), “Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property and any ultimate disposition data including the date of disposal and sale price of the property.

Cause:

The District was unable to fully implement all aspects of the equipment purchase process due to the shortage of staff.

Effect:

Failure to perform bi-annual physical inventory and enter records into the fixed asset system could result in noncompliance with the Federal requirements.

Recommendation:

Management should ensure that the property control officer coordinates with the OCFO to ensure that the proper procedures for the purchase of equipment are followed. Management should also perform a bi-annual physical inventory of all federally funded equipment. Further, management should ensure that all records of fixed asset purchases are entered into FAS within the stipulated time frame described in the policies set forth in the District’s Financial Policies and Procedures Manual.

Management’s Response:

DOH agrees with the finding. The District of Columbia is in the process of conducting a District-wide physical inventory in FY 2005. Currently the Office of the Chief Financial Officer (OCFO) is monitoring additions to fixed assets on a monthly basis to ensure that all new purchases are recorded in the Fixed Asset System (FAS).

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-47	Centers for Disease Control – Investigations and Technical Assistance (93.283)	Procurement, Suspension and Debarment	\$ 136,916

Condition:

For 6 of 25 contract files totaling \$1,606,868, OCP could not provide the following:

- 3 contracts were missing the required verbal/written quotes. The total amount of these three contracts were \$136,916
- Suspension and Debarment Certificate were not maintained for 3 contracts in excess over \$100,000. The total amounts of these contracts were \$1,469,952. We performed other procedures and determined that the vendors were in compliance with suspension and debarment requirements.

Criteria:

According to 45 CFR 76, 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 procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub-recipients). OCP's policies and procedures also require contract files be maintained for all procurement contracts.

In addition, OMB Circular A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that procurements (1) are properly documented in the entity's files; (2) provide for full and open competition; and (3) supported by a cost or price analysis and vendor debarred or suspended certifications.

Cause:

DOH relies on OCP to ensure suspension and debarment requirements are met as well as maintain appropriate procurement documentation.

Effect:

DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the federal government as well as awarded contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH may have issued procurement without the appropriate funding.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Recommendation:

DOH should work with the OCP to develop procedures to ensure that the certification of suspension and debarment is a required document for all procurement contracts or grant awards in which federal funds are used to pay for those goods or services and that required procurement documentation is obtained and retained.

Management's Response:

OCP agrees with this recommendation. OCP recognizes the importance of maintaining complete contract files with the appropriate documentation for all procurements. OCP has developed policies and procedures to standardize the content of procurement files including the requirement of debarment and suspension certification for contracts in excess of \$100,000. OCP will require all bidders/offerors—on solicitations above \$100,000—to complete a certification statement indicating that the business has not been debarred or suspended within the past three years. OCP will verify this certification with local and federal excluded and debarred lists. Additionally, OCP will issue a directive requiring OCP contracting staff to complete a Determination and Findings for Contractor's Responsibility including a debarment and suspension certificate indicating that OCP has verified the vendor's status.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-48	Medicaid (93.778)	Allowable costs	Not Determinable

Condition:

The Department of Health is not in compliance with OMB Circular A-87. 8 out of 25 employees were improperly excluded from the semi-annual A-87 Certification(s). The total salary for the eight employees was \$492,413. The total amount of sample selections was \$1,624,056. The total payroll costs equaled \$3,631,695.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on the payroll documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unity.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - 1) More than on federal award,
 - 2) A federal award and nonfederal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities, which are allocated using different allocation bases.
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 2) They must account for the total activity, for which each employee is compensated.
 - 3) They must be prepared at least monthly and must coincide with one or more pay periods and
 - 4) They must be signed by the employee.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

6. Budget estimates or other distribution percentages determine before the services are performed do not qualify as support for charges to Federal awards by may be used for interim accounting purposes, provided that:
- 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed,
 - 2) At least quarterly, comparisons of actual costs to budget 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 difference between budgeted and actual costs are less than 10 percent,
 - 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

DOH employees failed to follow existing policies and procedures for recording time and expenses associated with working on grant-funded programs.

Effect:

Payroll expenditures related are not supported as required by federal regulations.

Recommendation:

Where employees work solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

DOH agrees with the finding that the employees identified were omitted and/or included, in error, from the A-87 during the certification process. However, the employees worked on the grant and their expenditures were properly recorded to the grant. DOH is in the process of doing a department-wide analysis of payroll records and position control systems (i.e., Schedule A and PeopleSoft) to verify that all employees are properly coded to their designated work area and to avoid omissions from the A-87 certification.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-49			

Finding number not used.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-50	HIV Emergency Relief Project Grants (93.914)	Allowable Costs	Not Determinable

Condition:

The Department of Health is not in compliance with OMB Circular A-87. 1 of 25 employees was improperly excluded from the semi-annual A-87 Certification(s). Further, 1 of 25 employees was improperly included on the semi-annual A-87 Certification(s).

The amount of questioned cost is equal to the annual salary for the employee improperly excluded from the semi-annual A-87 Certification. The total sample size was \$1,235,618. The total salary costs were \$1,235,618.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on the payroll documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unity.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - 1) More than on federal award,
 - 2) A federal award and nonfederal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities, which are allocated using different allocation bases.
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 2) They must account for the total activity, for which each employee is compensated.
 - 3) They must be prepared at least monthly and must coincide with one or more pay periods and

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Year Ended September 30, 2004

- 4) They must be signed by the employee.
6. Budget estimates or other distribution percentages determine before the services are performed do not qualify as support for charges to Federal awards by may be used for interim accounting purposes, provided that:
 - 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed,
 - 2) At least quarterly, comparisons of actual costs to budget 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 difference between budgeted and actual costs are less than 10 percent,
 - 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

DOH employees failed to follow existing policies and procedures for recording time and expenses associated with working on grant-funded programs.

Effect:

Payroll expenditures related are not supported as required by federal regulations.

Recommendation:

Where employees work solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

DOH agrees with the finding that the employees identified were omitted and/or included, in error, from the A-87 during the certification process. However, the employees worked on the grant and their expenditures were properly recorded to the grant. DOH is in the process of doing a department-wide analysis of payroll records and position control systems (i.e., Schedule A and PeopleSoft) to verify that all employees are properly coded to their designated work area and to avoid omissions from the A-87 certification.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-51	HIV Emergency Relief Project Grants (93.914)	Level of effort/Earmarking	Not Determinable

Condition:

HAA management could not provide supporting documentation for compliance with the following earmarking requirement:

- Not more than 10 percent, in the aggregate, of amounts allocated by the eligible metropolitan area (EMA) to first-line entities may be used for administrative expenses.

In addition, the agency did not evaluate timely their compliance with the remaining level of effort and earmarking requirements of HIV Emergency Relief program for FY2004. However, it was determined that the District was in compliance with the remaining requirements.

Criteria:

The Code of Federal Regulations (42 USC 300ff-15(a)(1)(B)) and (C), 42 USC 300ff-14(b)(4), 42 USC 300ff-14(f), 42 USC 300ff-14(f) and 42 USC 300ff-14 (c)) together with the OMB Circular A-133 Compliance Supplement provides for level of effort and earmarking requirements for HIV Emergency Relief Project program.

Cause:

HAA failed to maintain supporting documentation for its compliance of HIV Emergency Relief program with level of effort and earmarking requirements.

Effect:

Failure to maintain an adequate expenditure level and failure to track expenditures for earmarking results in noncompliance with the code of federal regulations for the HIV Emergency Relief Grant.

Recommendation:

HAA should establish procedures whereby a staff person is assigned responsibility to monitor expenditures made during the year to ensure that level of effort and earmarking requirements are met.

Management's Response:

DOH concurs with the finding. The Department will assign staff the responsibility of monitoring expenditures for earmarking and level of effort requirements.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-52	HIV Emergency Relief Project Grants (93.914)	Procurement, Suspension and Debarment	\$ 13,908

Condition:

For 2 of 5 contract files totaling \$211,376, OCP could not provide the following:

- 1 contract was missing the required verbal quotes. The amount of this contract was \$13,908.
- Suspension and Debarment Certificate were not maintained for 1 contract in excess over \$100,000. The amount of this contract was \$197,468. We performed other procedures and determined that the vendor was in compliance with suspension and debarment requirements.

Criteria:

According to 45 CFR 76, 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 procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub-recipients). OCP's policies and procedures also require contract files be maintained for all procurement contracts.

In addition, OMB Circular A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that procurements (1) are properly documented in the entity's files; (2) provide for full and open competition; and (3) supported by a cost or price analysis and vendor debarred or suspended certifications.

Cause:

DOH relies on OCP to ensure suspension and debarment requirements are met as well as maintain appropriate procurement documentation.

Effect:

DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the federal government as well as awarded contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH may have issued procurement without the appropriate funding.

Recommendation:

DOH should work with the OCP to develop procedures to ensure that the certification of suspension and debarment is a required document for all procurement contracts or grant awards in which federal funds are used to pay for those goods or services and that required procurement documentation is obtained and retained.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management's Response:

OCP agrees with this recommendation. OCP recognizes the importance of maintaining complete contract files with the appropriate documentation for all procurements. OCP has developed policies and procedures to standardize the content of procurement files including the requirement of debarment and suspension certification for contracts in excess of \$100,000. OCP will require all bidders/offerors—on solicitations above \$100,000—to complete a certification statement indicating that the business has not been debarred or suspended within the past three years. OCP will verify this certification with local and federal excluded and debarred lists. Additionally, OCP will issue a directive requiring OCP contracting staff to complete a Determination and Findings for Contractor's Responsibility including a debarment and suspension certificate indicating that OCP has verified the vendor's status.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:
Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-53	HIV Emergency Relief Project Grants (93.914)	Sub-recipient monitoring	Not Determinable

Condition:

The HIV Administration is not performing adequate sub-recipient monitoring of the sub-recipients on an annual basis. During our testwork, we noted:

1. 1 sub-recipient monitoring folder was not provided;
2. A-133 reports were not provided for all 8 sub-recipients; further, documentation of action taken to require the sub-recipient to submit the required audits was not provided;
3. Documentation of follow-up corrective action was not provided for 7 sub-recipients;
4. Documentation of noncompliance effects was not provided for all 8 sub-recipients;

Total amounts passed through to sub-recipients was \$14,809,030.

Criteria:

OMB Circular A-133 indicates a grantee must (1) monitor the sub-recipient's use of Federal awards through site visits or other means to provide reasonable assurance that the sub-recipient administer Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and requiring the sub-recipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of sub-recipient activities on the pass-through entity's ability to comply with applicable Federal regulations;

Cause:

DOH does not adhere to policies and procedures in place to comply with the requirements of OMB Circular A-133 for sub-recipient monitoring.

Effect:

Improper monitoring of sub-recipients could lead to noncompliance with laws and regulations of the Federal awards.

Recommendation:

When performing sub-recipient site visits, HAA should document on the monitoring tool:

- Scope of the review (i.e. inspection, review of management documentation, review of performance requirements, review of A-133 reports, review of financial requirements, etc.)
- Date of the review
- Person(s) performing the review

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

- Planned procedures
- Results of the review
- A formalized corrective action plan

Documentation should be kept on all monitoring efforts in the grants monitoring folder.

HAA should also establish safeguards to ensure that all sub-recipients have an A-133 audit as appropriate.

Management's Response:

DOH concurs with the finding. The Department has developed protocols and an action plan for subrecipient monitoring. Site visits will be conducted and documented periodically for each subrecipient.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-54	HIV Care Formula Grants (93.917)	Allowable costs	Not Determinable

Condition:

The Department of Health is not in compliance with OMB Circular A-87. 3 out of 25 employees were improperly excluded from the semi-annual A-87 Certification(s) and 3 out of 25 employees were improperly included on the semi-annual A-87 Certification(s).

The amount of costs for the 3 employees noted above who were improperly excluded from the semi-annual A-87 Certification was \$94,226. The total sample size was \$1,377,448. The total salary costs were \$1,830,818.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on the payroll documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unity.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - 1) More than on federal award,
 - 2) A federal award and nonfederal award,
 - 3) An indirect cost activity and a direct cost activity,
 - 4) Two or more indirect activities, which are allocated using different allocation bases.
 - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 2) They must account for the total activity, for which each employee is compensated.
 - 3) They must be prepared at least monthly and must coincide with one or more pay periods and
 - 4) They must be signed by the employee.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

6. Budget estimates or other distribution percentages determine before the services are performed do not qualify as support for charges to Federal awards by may be used for interim accounting purposes, provided that:
- 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed,
 - 2) At least quarterly, comparisons of actual costs to budget 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 difference between budgeted and actual costs are less than 10 percent,
 - 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

DOH employees failed to follow existing policies and procedures for recording time and expenses associated with working on grant-funded programs.

Effect:

Payroll expenditures related are not supported as required by federal regulations.

Recommendation:

Where employees worked solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees worked on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

DOH agrees with the finding that the employees identified were omitted and/or included, in error, from the A-87 during the certification process. However, the employees worked on the grant and their expenditures were properly recorded to the grant. DOH is in the process of doing a department-wide analysis of payroll records and position control systems (i.e., Schedule A and PeopleSoft) to verify that all employees are properly coded to their designated work area and to avoid omissions from the A-87 certification.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-55	HIV Care Formula Grant (93.917)	Matching /Earmarking	Not Determinable

Condition:

HAA management could not provide supporting documentation for compliance with the following earmarking requirement:

- 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).

In addition, the agency did not evaluate timely their compliance with the remaining level of effort and earmarking requirements of HIV Care Formula Grant for FY2004. However, it was determined that the District was in compliance with the remaining documents.

Criteria:

The Code of Federal Regulations (42 USC 300ff-27(d)(1) and (3), 42 USC 300ff-27(b)(6)(E), 42 USC 300ff-28(b)(3), 42 USC 300ff-28(b)(4), 42 USC 300ff-28(a)(1), 28(b)(5), and 28(b)(6) 42 USC 300ff-28(c)(4)(A) 42 USC 300ff-26(a) and 42 USC 300ff-22(d)) together with the OMB Circular A-133 Compliance Supplement provides for matching and earmarking requirements for HIV Care Formula Grant.

Cause:

HAA failed to provide supporting documentation for compliance of the HIV Care Formula Grant with matching and earmarking requirements.

Effect:

Failure to track expenditures for matching requirements and earmarking results in noncompliance with the code of federal regulations for the HIV Care Formula Grant.

Recommendation:

HAA should establish procedures designating a staff person responsibility to monitor expenditures made during the year to ensure that matching and earmarking requirements are met.

Management’s Response:

DOH concurs with the finding. The Department will assign staff the responsibility of monitoring expenditures for earmarking and level of effort requirements.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-56	HIV Care Formula Grants (93.917)	Procurement, Suspension and Debarment	\$ 24,050

Condition:

For 2 of 23 contract files totaling \$524,050, OCP could not provide the following:

- 1 contract was missing the required verbal/written quotes. The one contract was in the amount of \$24,050.
- Suspension and Debarment Certificate was not maintained for 1 contract in excess over \$100,000. The one contract was in the amount of \$500,000. We performed other procedures and determined that the vendor was in compliance with suspension and debarment requirements.

Criteria:

According to 45 CFR 76, 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 procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub-recipients). OCP's policies and procedures also require contract files be maintained for all procurement contracts.

In addition, OMB Circular A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that procurements (1) are properly documented in the entity's files; (2) provide for full and open competition; and (3) supported by a cost or price analysis and vendor debarred or suspended certifications.

Cause:

DOH relies on OCP to ensure suspension and debarment requirements are met as well as maintain appropriate procurement documentation.

Effect:

DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the federal government as well as awarded contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH may have issued procurement without the appropriate funding.

Recommendation:

DOH should work with the OCP to develop procedures to ensure that the certification of suspension and debarment is a required document for all procurement contracts or grant awards in which federal funds are used to pay for those goods or services and that required procurement documentation is obtained and retained.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management's Response:

OCP agrees with this recommendation. OCP recognizes the importance of maintaining complete contract files with the appropriate documentation for all procurements. OCP has developed policies and procedures to standardize the content of procurement files including the requirement of debarment and suspension certification for contracts in excess of \$100,000. OCP will require all bidders/offerors—on solicitations above \$100,000—to complete a certification statement indicating that the business has not been debarred or suspended within the past three years. OCP will verify this certification with local and federal excluded and debarred lists. Additionally, OCP will issue a directive requiring OCP contracting staff to complete a Determination and Findings for Contractor's Responsibility including a debarment and suspension certificate indicating that OCP has verified the vendor's status.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-57	HIV Care Formula Grants (93.917)	Sub-recipient monitoring	Not Determinable

Condition:

DOH is not performing adequate sub-recipient monitoring of the sub-recipients. During our testwork, we noted:

1. Documentation of follow-up corrective action was not provided for all 3 sub-recipients.
2. Documentation of noncompliance effects was not provided for all 3 sub-recipients.

Total amounts passed through to sub-recipients was \$350,632.

Criteria:

OMB Circular A-133 indicates a grantee must (1) monitor the sub-recipient's use of Federal awards through site visits or other means to provide reasonable assurance that the sub-recipient administer Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and requiring the sub-recipient to take prompt corrective action on any audit findings; and (3) evaluate the impact of sub-recipient activities on the pass-through entity's ability to comply with applicable Federal regulations;

Cause:

DOH does not adhere to policies and procedures in place to comply with the requirements of OMB Circular A-133 for sub-recipient monitoring.

Effect:

Improper monitoring of sub-recipients could lead to noncompliance with laws and regulations of the Federal awards.

Recommendation:

When performing sub-recipient site visits, HAA should document on the monitoring tool:

- Scope of the review (i.e. inspection, review of management documentation, review of performance requirements, review of A-133 reports, review of financial requirements, etc.)
- Date of the review
- Person(s) performing the review
- Planned procedures

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- Results of the review
- A formalized corrective action plan

Documentation should be kept on all monitoring efforts in the grants monitoring folder.

HAA should also establish safeguards to ensure that all sub-recipients have an A-133 audit as appropriate.

Management's Response:

The Department of Health (DOH) concurs with the finding. The Department has developed protocols and an action plan for subrecipient monitoring. Site visits will be conducted and documented periodically for each subrecipient.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-58	HIV Prevention Grant (93.940)	Allowable costs	Not Determinable

Condition:

DOH is not in compliance with OMB Circular A-87 for payroll costs charged to the program listed above since 4 out of 25 employees were improperly excluded from the semi-annual A-87 Certification(s). The total costs for the 4 employees was \$178,736. The total amount for the sample size was \$1,196,387. The total salary costs were \$2,642,426.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on the payroll documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unity.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - 1 More than on federal award,
 - 2 A federal award and nonfederal award,
 - 3 An indirect cost activity and a direct cost activity,
 - 4 Two or more indirect activities, which are allocated using different allocation bases.
 - 5 An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1 They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 2 They must account for the total activity, for which each employee is compensated.
 - 3 They must be prepared at least monthly and must coincide with one or more pay periods and
 - 4 They must be signed by the employee.

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6. Budget estimates or other distribution percentages determine before the services are performed do not qualify as support for charges to Federal awards by may be used for interim accounting purposes, provided that:
 - 1 The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed,
 - 2 At least quarterly, comparisons of actual costs to budget 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 difference between budgeted and actual costs are less than 10 percent,
 - 3 The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

DOH employees failed to follow existing policies and procedures for recording time and expenses associated with working on grant-funded programs.

Effect:

Payroll expenditures related are not supported as required by federal regulations.

Recommendation:

Where employees worked solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees worked on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

DOH agrees with the finding that the employees identified were omitted and/or included, in error, from the A-87 during the certification process. However, the employees worked on the grant and their expenditures were properly recorded to the grant. DOH is in the process of doing a department-wide analysis of payroll records and position control systems (i.e., Schedule A and PeopleSoft) to verify that all employees are properly coded to their designated work area and to avoid omissions from the A-87 certification.

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Year Ended September 30, 2004

District Agency:
Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-59	HIV Prevention Grant (93.940)	Procurement, Suspension and Debarment	\$ 133,443

Condition:

For 8 of 25 contract files totaling \$253,444, OCP could not provide the following:

- 7 contracts were missing the required verbal/written quotes. The seven contracts amounted to \$133,443
- Suspension and Debarment Certificate were not maintained for 1 contract in excess over \$100,000. The one contract was in the amount of \$120,001. We performed other procedures and determined that the vendor was in compliance with suspension and debarment requirements.

Criteria:

According to 45 CFR 76, 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 procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub-recipients). OCP's policies and procedures also require contract files be maintained for all procurement contracts.

In addition, OMB Circular A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that procurements (1) are properly documented in the entity's files; (2) provide for full and open competition; and (3) supported by a cost or price analysis and vendor debarred or suspended certifications.

Cause:

DOH relies on OCP to ensure suspension and debarment requirements are met as well as maintain appropriate procurement documentation.

Effect:

DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the federal government as well as awarded contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH may have issued procurement without the appropriate funding.

Recommendation:

DOH should work with the OCP to develop procedures to ensure that the certification of suspension and debarment is a required document for all procurement contracts or grant awards in which federal funds are used to pay for those goods or services and that required procurement documentation is obtained and retained.

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Management's Response:

OCP agrees with this recommendation. OCP recognizes the importance of maintaining complete contract files with the appropriate documentation for all procurements. OCP has developed policies and procedures to standardize the content of procurement files including the requirement of debarment and suspension certification for contracts in excess of \$100,000. OCP will require all bidders/offerors—on solicitations above \$100,000—to complete a certification statement indicating that the business has not been debarred or suspended within the past three years. OCP will verify this certification with local and federal excluded and debarred lists. Additionally, OCP will issue a directive requiring OCP contracting staff to complete a Determination and Findings for Contractor's Responsibility including a debarment and suspension certificate indicating that OCP has verified the vendor's status.

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Year Ended September 30, 2004

District Agency:

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-60			

This finding number was not used.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-61	HIV Prevention Grant (93.940)	Sub-recipient monitoring	Not Determinable

Condition:

The HAA is not performing adequate sub-recipient monitoring of the sub-recipients on an annual basis. During our testwork, we observed:

1. Documentation of follow-up corrective action was not provided for all 13 sub-recipients.
2. A-133 reports were not provided for 1 sub-recipient required to have an A-133 audit.
3. Documentation of the impact of known sub-recipient noncompliance was not provided for 3 sub-recipients.

Total amounts passed through to sub-recipients was \$1,824,155.

Criteria:

Per OMB Circular A-133, the grantee must (1) monitor the sub-recipient's use of Federal awards through site visits or other means to provide reasonable assurance that the sub-recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (2) ensure required audits are performed and requiring the sub-recipient to take prompt corrective action on any audit findings, and (3) evaluate the impact of sub-recipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Cause:

DOH does not have adequate policies and procedures in place to comply with the requirements of OMB Circular A-133 for sub-recipient monitoring.

Effect:

Improper monitoring of sub-recipients could lead to noncompliance with laws and regulations of the Federal awards.

Recommendation:

When performing sub-recipient site visits, HAA should document on the monitoring tool:

- Scope of the review (i.e. inspection, review of management documentation, review of performance requirements, review of A-133 reports, review of financial requirements, etc.)
- Date of the review
- Person(s) performing the review

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Year Ended September 30, 2004

- Planned procedures
- Results of the review
- A formalized corrective action plan

Documentation should be kept on all monitoring efforts in the grants monitoring folder.

HAA should also establish safeguards to ensure that all sub-recipients have an A-133 audit as appropriate.

Management's Response:

DOH concurs with the finding. The Department has developed protocols and an action plan for subrecipient monitoring. Site visits will be conducted and documented periodically for each subrecipient.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-62	Block Grants for Prevention and Treatment of Substance Abuse (93.959)	Level of Effort/Earmarking	\$ 94,788

Condition:

Our testing of level of effort and earmarking requirements indicate the following:

- (A) The aggregate expenditures for authorized activities by the principal agency amounted to \$22,589,605, which is less than \$27,479,223, the average level of such expenditures maintained for the year 2002 and 2003. (No questioned cost)
- (B) Lack of supporting documentation to determine compliance that non-Federal expenditure amounts for HIV services in FY 2004 was not less than \$153,047, the average level of such expenditures maintained for the years 2002 and 2003. (No questioned cost)
- (C) Lack of supporting documentation to determine compliance that non-Federal expenditure amounts for Tuberculosis services in FY 2004 was not less than \$216,741, the average level of such expenditures maintained for the years 2002 and 2003. (No questioned cost)
- (D) 16% of grant funds were spent on primary prevention activities, which is less than the required amount of expending not less than 20 percent of Block Grants for Prevention and Treatment of Substance Abuse for such activities. (No questioned cost)
- (E) 7% of grant funds were spent on administration activities. The amount calculated as questioned cost is the difference between the amount of grant funds spent on administration activities (\$390,575) less the total permitted earmarking amount of 5% of Block Grants for Prevention and Treatment of Substance Abuse (\$5,915,733 total expenditures * 5% = \$295,787)

Criteria:

The Code of Federal Regulations (45 CFR 96.124(b)(1), 96.125 and 96.127) states specifically that:

- 1 Level of effort— the State shall for each fiscal year maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the two State fiscal years preceding the fiscal year for which the State is applying for the grant.
- 2 Earmarking – the State shall maintain expenditures of non-Federal amounts for HIV services at a level that is not less than the average level of such expenditures maintained by the State for the 2-year period preceding the first fiscal year for which the State receives such a grant.
- 3 Earmarking – the State shall maintain expenditures of non-Federal amounts for Tuberculosis at a level that is not less than the average level of such expenditures maintained by the State for the 2-year period preceding the first fiscal year for which the State receives such a grant.
- 4 Earmarking- of the amount earmarked for alcohol and other drugs prevention and treatment activities, the State shall expend not less than 20 percent of Block Grants for Prevention and Treatment of Substance Abuse for primary prevention programs for individuals who do not require treatment of SA.

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- 5 Earmarking- of the amount earmarked for alcohol and other drugs prevention and treatment activities, the State shall not expend more than 5 percent of Block Grants for Prevention and Treatment of Substance Abuse to pay the cost of administering the grant.

Cause:

APRA failed to establish adequate monitoring systems to track its compliance with the level of effort and earmarking criteria for this grant.

Effect:

Failure to maintain an adequate expenditure level and failure to track expenditures for earmarking could result in noncompliance with the Code of Federal Regulations.

Recommendation:

APRA should establish policies and procedures requiring that a staff person is assigned responsibility to monitor expenditures made during the year to ensure that level of effort and earmarking requirements are met.

Management Response:

DOH concurs with the finding. APRA has assigned a staff person the responsibility to monitor expenditures made during the year to ensure that the level of effort and earmarking requirements are met. Expenditures will be tracked on a monthly basis and a report generated quarterly that details grant expenditures, thus ensuring compliance monitoring. These reports along with other Substance and Prevention Abuse block grant (SAPT) documentation will be maintained in a secure file with a staff person who oversees the filing system. The system shall limit access to the files by authorized personnel and demonstrate document control via a system which tracks the persons, date and data removed and return.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-63	Block Grants for Prevention and Treatment of Substance Abuse (93.959)	Procurement, Suspension and Debarment	None

Condition:

For 1 of 9 contract files totaling \$160,000, OCP could not provide the Suspension and Debarment Certificate for the contract in excess over \$100,000. The contract was for \$160,000. We performed other procedures and determined that the vendor was in compliance with suspension and debarment requirements.

Criteria:

According to 45 CFR 76, 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 procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub-recipients). OCP's policies and procedures also require contract files be maintained for all procurement contracts.

In addition, OMB Circular A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that procurements (1) are properly documented in the entity's files; (2) provide for full and open competition; and (3) supported by a cost or price analysis and vendor debarred or suspended certifications.

Cause:

DOH relies on OCP to ensure suspension and debarment requirements are met as well as maintain appropriate procurement documentation.

Effect:

DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the federal government as well as awarded contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH may have issued procurement without the appropriate funding.

Recommendation:

DOH should work with the OCP to develop procedures to ensure that the certification of suspension and debarment is a required document for all procurement contracts or grant awards in which federal funds are used to pay for those goods or services and that required procurement documentation is obtained and retained.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Year Ended September 30, 2004

Management's Response:

OCP agrees with this recommendation. OCP recognizes the importance of maintaining complete contract files with the appropriate documentation for all procurements. OCP has developed policies and procedures to standardize the content of procurement files including the requirement of debarment and suspension certification for contracts in excess of \$100,000. OCP will require all bidders/offerors—on solicitations above \$100,000—to complete a certification statement indicating that the business has not been debarred or suspended within the past three years. OCP will verify this certification with local and federal excluded and debarred lists. Additionally, OCP will issue a directive requiring OCP contracting staff to complete a Determination and Findings for Contractor's Responsibility including a debarment and suspension certificate indicating that OCP has verified the vendor's status.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-64	Block Grants for Prevention and Treatment of Substance Abuse (93.959)	Reporting	None

Condition:

We noted that there was no evidence of review on the Form 06B, Summary of Tobacco Results. Addiction Prevention and Recovery Administration (APRA) management indicated that the report was reviewed; however, the Deputy Director failed to note evidence of the review.

Criteria:

OMB A-133 Compliance Supplement indicates that the agency must provide written representation that the reports submitted are true copies of the reports submitted to the Federal awarding agency.

Cause:

APRA does not have adequate policies and procedures in place that require evidence of review for the Form 06B, Summary of Tobacco Results report.

Effect:

Failure to show perform adequate management review could result in the report being submitted with errors.

Recommendation:

We recommend that APRA should establish policies and procedures to evidence all levels of review to ensure that the report is complete and accurate prior to submission.

Management Response:

DOH concurs with the finding. DOH will ensure that adequate documentation will be maintained to show evidence of any Federal review of Block grant requirements.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-65	Block Grants for Prevention and Treatment of Substance Abuse (93.959)	Sub-recipient monitoring	Not Determinable

Condition:

The Block Grant for Prevention and Treatment of Substance abuse is not performing adequate sub-recipient monitoring of the sub-recipients annually. During our testwork, we noted that:

- 1) Grant agreements were not provided for 2 sub-recipients;
- 2) Documentation of follow-up corrective actions was not provide for all 5 sub-recipients;
- 3) A-133 and audited financial statements were not provided by 2 sub-recipients who were required to have such audits; further, documentation of action taken to require the sub-recipient to submit the required audits was not provided;
- 4) Documentation of action taken to have the sub-recipient obtain the required audits was not provided; and
- 5) Documentation of the impact of known noncompliance that exists at the sub-recipients was not provided

Total amounts passed through to sub-recipients was \$4,217,578.

Criteria:

OMB Circular A-133 indicates that grantees must (1) monitor the sub-recipient's use of Federal awards through site visits or other means to provide reasonable assurance that the sub-recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. (2) insure required audits are performed and requiring the sub-recipient to take prompt corrective action on any audit findings, and (3) evaluate the impact of sub-recipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Cause:

DOH does not have adequate policies and procedures in place to comply with the requirements of OMB Circular A-133. Further, management turnover resulted in document retention issues.

Effect:

Improper monitoring of sub-recipients could lead to noncompliance with laws and regulations of the Federal awards.

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Year Ended September 30, 2004

Recommendation:

When performing sub-recipient site visits, APRA should document on the monitoring tool:

- Scope of the review (i.e. inspection, review of management documentation, review of performance requirements, review of A-133 reports, review of financial requirements, etc.)
- Date of the review
- Person(s) performing the review
- Planned procedures
- Results of the review
- A formalized corrective action plan

Documentation should be kept on all monitoring efforts in the grants monitoring folder.

APRA should also ensure that the sub-recipient grant award agreements, audited financial reports and A-133 reports are kept on file.

Management's Response:

DOH concurs with the finding. DOH will implement a comprehensive subrecipient monitoring system. A system will be set up indicating the subrecipient name and month in which a site visit and follow-up visit should be established. The standard "site visit checklist" from the District's Subrecipient Monitoring Manual will be established for use.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-66	Block Grants for Prevention and Treatment of Substance Abuse (93.959)	Special Tests and Provisions - Independent Peer Reviews	Not Determinable

Condition:

APRA did not conduct Independent Peer Reviews on entities providing treatment services.

Criteria:

45 CFR section 96.136 and 42 USC 300x-53(a) requires the State must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. It further states that:

- At least 5 percent of the entities providing services in the State shall be reviewed;
- The entities shall be representative of the entities providing the services;
- The State shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs; and
- The peer review should not be conducted as part of the licensing or certification process.

Cause:

APRA experienced a heavy workload in fiscal year 2004, which resulted in the failure to complete independent reviews on entities providing treatment services.

Effect:

Not completing independent peer reviews could result in substandard quality, appropriateness, and efficacy of treatment services by service providers. Further, it results in noncompliance with regulations set forth in 45 CFR section 96.136 and 42 USC 300x-53(a).

Recommendation:

As part of APRA's policies and procedures for conducting independent peer reviews of entities providing treatment services in the District, APRA should also include:

- Keeping a current list of all entities providing treatment services in the District;
- Developing and maintaining a schedule detailing the date and entity to be reviewed and adhere to the schedule;
- Ensure that at least five percent of the entities providing treatment services are reviewed annually;
- Ensure the independence of the peer reviewers; and
- Ensure the review is not part of the licensing or certification process.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Year Ended September 30, 2004

Management's Response:

DOH concurs with the finding. APRA has assigned a staff person the responsibility to monitor the independent peer review process to ensure that the District complies with this federal requirement. Moreover, training on requirements for the SAPT Block is being planned with the Center for Substance Abuse Services in FY 2005.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-67	Maternal and Child Health Services Block Grant (93.994)	Allowable costs	Not Determinable

Condition:

The Department of Health is not in compliance with OMB Circular A-87. 1 out of 25 employees were improperly excluded from the semi-annual A-87 Certification(s). The cost of the 1 employee was \$38,830. The amount of the sample selection was \$1,122,973. The payroll cost was \$4,470,767.

Criteria:

OMB Circular A-87 Attachment B Section 11 Paragraph h. requires the following:

1. Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on the payroll documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unity.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
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 or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - 1 More than on federal award,
 - 2 A federal award and nonfederal award,
 - 3 An indirect cost activity and a direct cost activity,
 - 4 Two or more indirect activities, which are allocated using different allocation bases.
 - 5 An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - 1 They must reflect an after-the-fact distribution of the actual activity of each employee,
 - 2 They must account for the total activity, for which each employee is compensated.
 - 3 They must be prepared at least monthly and must coincide with one or more pay periods and
 - 4 They must be signed by the employee.

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Year Ended September 30, 2004

6. Budget estimates or other distribution percentages determine before the services are performed do not qualify as support for charges to Federal awards by may be used for interim accounting purposes, provided that:
 - 1 The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed,
 - 2 At least quarterly, comparisons of actual costs to budget 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 difference between budgeted and actual costs are less than 10 percent,
 - 3 The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

DOH employees failed to follow existing policies and procedures for recording time and expenses associated with working on grant-funded programs.

Effect:

Payroll expenditures related are not supported as required by federal regulations.

Recommendation:

Where employees worked solely on single federal program, charges for their salaries and wages should be supported by periodic certification in accordance with OMB Circular A-87. Where employees worked on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documents in accordance with OMB Circular A-87.

Management's Response:

DOH agrees with the finding that the employees identified were omitted and/or included, in error, from the A-87 during the certification process. However, the employees worked on the grant and their expenditures were properly recorded to the grant. DOH is in the process of doing a department-wide analysis of payroll records and position control systems (i.e., Schedule A and PeopleSoft) to verify that all employees are properly coded to their designated work area and to avoid omissions from the A-87 certification.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-68	Maternal and Child Health Services Block Grant (93.994)	Allowable costs	None

Condition:

Program monitors are not reviewing or approving expenditures prior to payment. We observed that controls are not properly designed to ensure that expenditures charged to the grant are allowable under the terms of the grant. Program monitors are required to approve the invoices prior to payment by DOH. We observed that 25 of 30 invoices were not approved by the program monitor prior to payment.

Criteria:

Effective internal controls require that the appropriate personnel review and approval of expenditures prior to payment.

Cause:

Controls that require review and approval of expenditures by knowledgeable grant staff prior to payment by the DOH are not enforced.

Effect:

Lack of supporting documentation for grant program expenditures could result in non-compliance with OMB A-87 and other federal regulations.

Recommendation:

We recommend that DOH ensure that all grant expenditures are reviewed and approved by appropriate grant personnel prior to payment. The grant personnel should inspect the invoice to ensure that the expenditure is an allowable cost, allowable activity and within the period of availability. In addition, the grant personnel should provide evidence of review prior to payment.

Management's Response:

DOH partially concurs with the finding. The determination as to whether an expenditure is allowable under the terms of the federal grant award are made on the front-end, before the requisition is entered into PASS. When an invoice is issued against a purchase order the Administrative Officer and the Administrative Service Manager along with program staff review the invoice to ensure that the services, being charged for, are in accordance with the terms of the grant agreement and therefore allowable under the terms of the federal grant award, but the review is not documented.

However, for future verification the Administrative Officer and the Administrative Service Manager will initial all invoices submitted to the OCFO for payment, thus showing managers approval.

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Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-69	Maternal and Child Health Services Block Grant (93.994)	Earmarking	None

Condition:

DOH expended only 18.24% of the required 30% of federal funds for services for children with special health care needs. However, DOH was required to use at least 30% of federal funds for services for children with special health care needs.

Criteria:

42 USC 707(a)(3)(B) requires the District to use at least 30% of federal funds for services for children with special health care needs.

Cause:

DOH does not use the financial accounting and reporting system, SOAR, to its fullest capability to track earmarking requirements.

Effect:

Failure to monitor and document compliance with earmarking requirements could lead to the loss of funding.

Recommendation:

DOH should enhance the policies and procedures over tracking and monitoring of the costs that are restricted for particular purposes under the Maternal and Child Health Services Block Grant. These policies and procedures should include establishing accounting codes and budgets for the costs in the accounting system and monitoring those costs on a monthly basis.

Management's Response:

DOH concurs with the finding. The inability to expend 30% of federal funds on services for children with special health care needs resulted from the inability of sub-grantees and contractors to meet enrollment goals for the targeted population; therefore, they were unable to expend all of the funding available under their grant agreement or contract. DOH is working diligently with sub-grantees and contractors to meet the targeted goals.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:
Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-70	Maternal and Child Health Services Block Grant (93.994)	Procurement, Suspension and Debarment	\$ 72,896

Condition:

OCP could not provide certain information for 1 of 16 contract files supporting procurement totaling \$72,896, as the required written quotes were not maintained.

Criteria:

According to 45 CFR 76, 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 procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub-recipients). OCP's policies and procedures also require contract files be maintained for all procurement contracts.

In addition, OMB Circular A-102 requires that recipients of federal awards have adequate procedures and controls in place to ensure that procurements (1) are properly documented in the entity's files; (2) provide for full and open competition; and (3) supported by a cost or price analysis and vendor debarred or suspended certifications.

Cause:

DOH relies on OCP to ensure suspension and debarment requirements are met as well as maintain appropriate procurement documentation.

Effect:

DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the federal government as well as awarded contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors and DOH may have issued procurement without the appropriate funding.

Recommendation:

DOH should work with the OCP to develop procedures to ensure that the certification of suspension and debarment is a required document for all procurement contracts or grant awards in which federal funds are used to pay for those goods or services and that required procurement documentation is obtained and retained.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Management's Response:

OCP agrees with this recommendation. OCP recognizes the importance of maintaining complete contract files with the appropriate documentation for all procurements. OCP has developed policies and procedures to standardize the content of procurement files including the requirement of debarment and suspension certification for contracts in excess of \$100,000. OCP will require all bidders/offerors—on solicitations above \$100,000—to complete a certification statement indicating that the business has not been debarred or suspended within the past three years. OCP will verify this certification with local and federal excluded and debarred lists. Additionally, OCP will issue a directive requiring OCP contracting staff to complete a Determination and Findings for Contractor's Responsibility including a debarment and suspension certificate indicating that OCP has verified the vendor's status.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-71	Maternal and Child Health Services Block Grant (93.994)	Reporting	None

Condition:

Amounts reported in the Application and Annual Report are not supported by the District's primary accounting system, SOAR.

Criteria:

States must submit an annual report by July 15 of each year. Per OMB Circular A-110 Reports and Records, §____.51(d) "When required, performance reports shall generally contain, for each award, brief information on each of the following. (1) A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both. Whenever appropriate and the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs."

Cause:

DOH does not take advantage of the full capabilities of SOAR when recording expenditures. Therefore, SOAR does not track expenditures made on types of individuals served and types of services provided. Further, DOH was unable to trace and agree subtotal data back to SOAR.

Effect:

DOH may lose funding of Maternal and Child Health Block Grants for noncompliance with the Federal reporting requirements.

Recommendation:

DOH should maintain documentation supporting the amounts included in all federal reports.

Management's Response:

DOH concurs with the finding. The services provided under the Title V Block Grant are varied and the categorizing of those services complex, with many services fractionally meeting several of the reporting categories required for the annual report/application. The Administration is committed to documenting the methodology it uses to derive the figures in its annual report/application to the federal government. In addition the administration will work with the OCFO to develop program codes, via indexes to identify expenditures for these specific categories required by the federal grantors for application and reporting purposes.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

Department of Health

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-72	Maternal and Child Health Services Block Grant (93.994)	Sub-recipient monitoring	Not Determinable

Condition:

The Maternal Child and Health Administration (MCH) is not performing adequate sub-recipient monitoring of the sub-recipients annually. During our testwork, we observed:

1. Documentation of follow-up corrective action was not provided for 2 sub-recipients. Although MCH holds monthly meeting with sub-recipients at which time the findings noted during the site visit and other noncompliance issues are discussed, no written documentation was taken as to action taken towards these findings and the development of the issues.
2. Documentation of noncompliance effects was not provided for all 4 sub-recipients;

Total amounts passed through to sub-recipients was \$3,201,897.

Criteria:

OMB Circular A-133 indicates that a grantee must (1) ensure required audits are performed and requiring the sub-recipient to take prompt corrective action on any audit findings, and (2) evaluate the impact of sub-recipient activities on the pass-through entity's ability to comply with applicable Federal regulations;

Cause:

DOH does not adhere to policies and procedures in place to comply with the requirements of OMB Circular A-133 for sub-recipient monitoring.

Effect:

Improper monitoring of sub-recipients could lead to noncompliance with laws and regulations of the Federal awards.

Recommendation:

When performing sub-recipient site visits, MCH should document on the monitoring tool:

- Scope of the review (i.e. inspection, review of management documentation, review of performance requirements, review of A-133 reports, review of financial requirements, etc.)
- Date of the review
- Person(s) performing the review
- Planned procedures

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

- Results of the review
- A formalized corrective action plan

Documentation should be kept on all monitoring efforts in the grants monitoring folder.

Additionally, when a finding or noncompliance is noted, MCH should document the effects of the noncompliance over the program.

Management's Response:

DOH concurs with the finding. The administration goes beyond what is required by the federal government in terms of its monitoring of sub-recipients. The Administration's failure was in its documentation of site visits and follow-up of inadequacies noted in its review of sub-recipients. In the future all site visits will be documented.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-73			

This finding number was not used.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:
City Administrator

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-74	Urban Area Security Initiative (97.008)	Reporting	None

Condition:

As part of the grant agreement, the District is required to submit Financial Status Reports (Standard Form 269) to the Office of Justice Programs (OJP) for grant award 2003-EUT30021 and 2003-TUTX0006, within 45 days of each quarter to report their program outlays. We selected 4 out of 8 SF-269's submitted to OJP during fiscal year 2004 and noted the following:

- For the two SF-269's submitted to OJP during fiscal year 2004, we noted that federal share of outlays reported on line 10 C was miscalculated by including the encumbrances out amount.
- The total misstatement on the 2 SF-269's tested resulted in overstatements on line 10 C (Federal share of outlays) and 10G (Total Federal share) of \$1,897,718, and an understatement on line 10I (Unobligated balances of Federal funds) of \$1,897,718.

Criteria:

Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency, and such amounts must be adequately and properly supported.

Cause:

The reports were not adequately reviewed by management to ensure that the reports were properly completed.

Effect:

Amounts reported on the SF-269 are not adequately supported by the accounting records.

Recommendation:

We recommend that the District reemphasize the importance of compliance to its existing policies and procedures to ensure that an adequate management review is performed.

Management's Response:

While management agrees that misstatement occurred, we would like to note that the overstatement of expenditures was corrected on the subsequent SF-269 (December 2004). We accept the recommendation and have reemphasized the importance of compliance. Future SF-269 submissions will include calculation methodology and will be independently confirmed by OCFO using SOAR data.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

District Agency:
City Administrator

<u>No.</u>	<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
04-75	Urban Area Security Initiative (97.008)	Sub-recipient Monitoring	Not Determinable

Condition:

Management is not performing adequate sub-recipient monitoring. During our testwork, we observed that management did not receive sufficient supporting documentation, such as detailed breakdowns related to costs and approval of individuals charging time to the grant, for 12 of 23 reimbursement requests selected for subrecipients who submit invoice/payment support to District management. The finding noted above relate to 4 out of 5 subrecipients who submit invoice/payment support to District management. For the two subrecipients whose invoice/payment support was offsite, there were no sub-recipient site visits performed to ensure that costs were allowable and paid prior to reimbursement.

Total amounts passed through to sub-recipients was \$13,010,163.

Criteria:

Per the UASI Grant Requirements Package, the District “will make onsite visits to the Grantee’s service facilities.” The sub-grant agreements require reimbursements be initiated by a “signed ‘Grantee Request for Funds’ form, a financial report, and supporting documentation of actual expenditures. The District policies and procedures also require monitoring the sub-recipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

Further, OMB Circular A-133 indicates that a grantee must (1) ensure required audits are performed and requiring the sub-recipient to take prompt corrective action on any audit findings, and (2) evaluate the impact of sub-recipient activities on the pass-through entity’s ability to comply with applicable Federal regulations;

Cause:

OCA does not adhere to policies and procedures in place to comply with the requirements of OMB Circular A-133 for sub-recipient monitoring.

Effect:

Improper monitoring of sub-recipients could lead to noncompliance with laws and regulations of the Federal awards.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2004

Recommendation:

When performing sub-recipient site visits, OCA should document on the monitoring tool:

- Scope of the review (i.e. inspection, review of management documentation, review of performance requirements, review of A-133 reports, review of financial requirements, etc.)
- Date of the review
- Person(s) performing the review
- Planned procedures
- Results of the review
- A formalized corrective action plan

Documentation should be kept on all monitoring efforts in the grants monitoring folder.

Additionally, when a finding or noncompliance is noted, OCA should document the effects of the noncompliance over the program.

Management's Response:

The Deputy Mayor's Office of Homeland Security (OHS), which administers and monitors all UASI grant funds, has hired additional program management staff to strengthen its *overall* management and monitoring of sub-recipients. The program management staff has begun to ensure effective and efficient implementation of projects and provides a mechanism for oversight and management from the program perspective. The program management staff is work closely with sub-recipients to perform the following duties:

- Implementing methodologies to track sub-recipient progress and measuring outcomes to evaluate how funds are being spent to support reimbursement requests;
- Coordinating with state and local leaders to ensure that sub-recipient projects and tasks meet collective state and / or regional strategic goals and objectives; and ensuring smooth integration of diverse program projects and tasks;
- Facilitating prompt issue resolution;
- Providing comprehensive weekly, monthly, quarterly, and periodic project updates;
- Obtaining quick feedback on ideas, plans, and actions from relevant stakeholders and publish outcomes, as appropriate;
- Monitoring the master database to track progress, identifying projects at risk, engaging jurisdictional project managers and regional committees for action, and recommending alternate spending decisions, where necessary.

The necessary steps have been taken to ensure appropriate management and oversight of sub-recipients to verify that proper support exists for reimbursement requests.