

**Reportable Condition - Failure to Monitor Expenditures Against Open Procurements**

*Observation and Recommendation*

Agency finance personnel must sign off on each contract award to indicate that there is available budget for the goods or services being procured. Based upon this approval, the procurement staff finalizes the contract documents. It is the responsibility of the agency finance personnel to properly, and timely, encumber the funds. However, we observed that such encumbrances are not recorded timely.

Encumbrance monitoring is further complicated by the fact that there is no linkage between the contract files and SOAR. SOAR, through ADPICS, is a purchase order number driven system. In order to process vendor invoices, ADPICS assigns a purchase order number; however, this number bears no relation to the contract number. Because there is not a one-for-one relationship between the actual contract and the purchase order recognized by SOAR, and because encumbrance information is not readily available, it is possible for payments against purchase orders to exceed the contract value.

While the finance officer should continue to authorize the available funds, we recommend that policies be established to assign the contracting officer the responsibility for recording the encumbrance prior to finalizing the contract. This would ensure that the encumbered funds are in agreement with the final contract value and provides a stronger segregation of duties since the contracting officer has no role in approving or paying invoices. Further, we recommend the District develop a monitoring and reporting mechanism that will relate the contracts to the purchase orders and help ensure that payments in excess of contract values are not made.

*Management's Response*

*OCFO/OFOS will work with the District's Office of Contracting and Procurement (OCP) to determine the best manner to institute the auditor's recommendations as follows:*

- *Contracting officer should be responsible for recording the encumbrances prior to finalizing the contract.*
- *District develop a monitoring and reporting mechanism that will relate the contracts to the purchase orders and ensure that payments in excess of contract values are not made.*

**Reportable Condition - Inadequate Access Controls over District Information Systems**

*Observation and Recommendation*

*Least privilege* and *segregation of duties* are key components of access controls on information systems (IS). The control measures for each of these two areas must be implemented in a manner that minimizes operational burdens and disruptions to the work flow without compromising control objectives.

*Least privilege* refers to measures that ensure that data access reflects the minimum access privileges required for each internal system user (employee) and each external system user (customers, general public, etc.). The required access privileges for external system users are dictated by the business model the system is supporting while the access privileges for internal system users are dictated by their position descriptions and specific job responsibilities.

We observed that, for specific areas, least privilege controls are not in place, allowing the possibility of excessive access to IS resources by:

- The System of Accounting and Reporting (SOAR) user community
- Remote access users of the SHARE and DHS data centers, through the wide area network
- The Automated Client Eligibility and Determination System (ACEDS) user community
- Users of the Department of Public Works external Log-In database
- Lottery Technology Enterprise employees

Without effective policies and procedures governing data access, individuals can intentionally or inadvertently be granted excessive access to IS resources. District management should take steps to ensure the establishment, documentation, and implementation of comprehensive data security policies and procedures addressing least privilege access controls.

*Segregation of duties* refers to measures that ensure proper segregation of specific job responsibilities in order to maintain data integrity and availability. Proper segregation of duties, for instance, will not allow a computer programmer position to also have the responsibilities of a production control position, which includes independent assessment of the quality of the programmer's work prior to incorporating it in to the system's application software in the production environment.

We observed lack of proper segregation of duties in several key positions including the Unified Personnel and Payroll System Security Administrator and the DC Lottery Board Computer Specialist and Database Administrator. District management should modify the position descriptions and specific job responsibilities for the above positions to ensure that data integrity and availability cannot be compromised.

*Management's Response*

***Least privilege.*** The District commissioned an independent SOAR Security Audit that when completed in March 2001, will establish data security policies and procedures that address least privilege access controls.

**Segregation of Duties.** Plans are under as part of a joint OCFO/OCTO initiative to create a Production Control Unit (PCU) and modify specific job responsibilities that will ensure data integrity and system availability. This initiative will force the segregation of duties and will be completed by September 2001.

The responsibility to ensure that data access reflects minimum access lies with the individual agency managers and/or Security Officers who are formally requesting data access for their staff(s). The Chief Technology Officer is responsible for maintaining and overseeing all District data centers and has successfully developed organizational units to carry out the overall plans and directions for the District's information technology, telecommunications policies and data centers. A critical component of maintaining and overseeing any data center is providing secure data access in a manner that minimizes operational burdens and disruptions to the workflow without compromising control objectives. Currently, the required access privileges are granted by Security Officers in individual agencies and are dictated by either the business model the system is supporting or by position descriptions and specific job responsibilities.

#### DC Lottery

**Segregation of Duties.** The present MIS Department set up is necessary in order to function 24-hours/7 days a week. Presently, DC Lottery has a Job Announcement for one (1) additional Computer Specialist. The MIS Department requires staff to be cross-trained in order to fully function when a person is on leave or in case of an emergency.

The system is very secure and has an enhanced tracking capability. As such, DC Lottery is able to receive reports that denote all changes by date and time and the individual applying the changes. The Lottery strongly feels that any change to segregate either of these individuals' responsibilities would have adverse impact on the integrity and performance of the Lottery's MIS Department.

**Least Privilege.** Lottery Technology Enterprises (the on-line gaming contractor) does not have sign-on to access the Lottery's Internal Control System.

**Reportable Condition - Timely Reporting of Budgetary Revisions***Observation and Recommendation*

The District of Columbia Appropriations Act (Appropriations Act) serves as the original appropriated annual budget. The Appropriations Act authorizes expenditures at the functional level. Generally, all revisions that alter total appropriations of an individual function must be approved by an act of Congress. The District then allocates the revised appropriations at the functional level to various agencies within the function. The District may reallocate budget amounts among agencies within a functional level in accordance with District policies contained in the Reprogramming Policy Act. The Office of Budget and Planning (OBP) is responsible for tracking all authorized reprogrammings.

We observed that approved reprogrammings are posted to a manual tracking sheet maintained by OBP personnel. OBP personnel then use these manual tracking sheets to compare to SOAR balances to ensure that agencies have not overexpended the revised appropriated budget. Most reprogrammings are not loaded into SOAR to facilitate agency review of total expenditures versus revised appropriated budget. Because the reprogrammings are not loaded into SOAR, agencies must contact OBP to obtain a current status of reprogramming requests and the total revised appropriated budget. This could result in an agency expending amounts in excess of its revised appropriated budget because it does not have full access to information.

We recommend that OBP assure all budgetary reprogrammings are recorded in SOAR upon approval and notify the requesting agency of such approval. This will enhance the agencies' ability to monitor the status of their reprogramming request and will provide them with accurate budgetary information against which to monitor expenditures.

*Management's Response*

*We concur with your recommendation and will notify agencies upon approval of the reprogramming and release of the batch to be posted to SOAR. However, reprogrammings are loaded into SOAR by agencies during submission of the reprogramming request to OBP. These reprogrammings remain outstanding (pending) in SOAR until approval has been received from the proper authorities (Council, Congress, etc). Once approved, OBP releases the outstanding reprogramming to be posted to the agency's budget in SOAR. Because of SOAR system controls, agencies can not overspend their revised budget until approval has been received and the batch has been released.*

**District of Columbia  
2000 Management Letter  
Status of 1999 Material Weaknesses**

Agency/Comment	Prior Year Comment Page # Reference	Status
<b>Cash</b>		
Bank Code Default Errors	31	Material weakness comment repeated in current year.
Undercollateralised deposits	32	Material weakness comment repeated in current year.
FY 98 Unclaimed Property receipts booked in FY 99	33	Noted limited instances in FY 2000. Comment not repeated.
Grants Account Used for Other Purposes	33	Noted limited instances in FY 2000. Comment not repeated.
Numerous Adjusting Journal Entries	33	Material weakness comment repeated in current year.
Deposits Exceed Maximum Allowable	34	Noted limited instances in FY 2000. Comment not repeated.
Untimely Preparation of Bank Reconciliations	34	Material weakness comment repeated in current year.
Numerous and Significant Reconciling Items	35	Material weakness comment repeated in current year.
Investment Transactions Not Maintained In Automated Format	35	Material weakness comment repeated in current year.
Cash Receipt Reports Contained Clerical Errors	36	Noted limited instances in FY 2000. Comment not repeated.
Incomplete List of Bank Accounts	36	Material weakness comment repeated in current year.
Authorized Signers Not Updated	37	Not tested in current year.
<b>Payroll</b>		
Liability amounts for accrued payroll, accrued annual leave, accrued compensatory leave, other payroll liabilities, and income tax withheld were not posted in a timely manner. The payroll accrual entries and reversing entries were not posted until February 2000.	38	Noted limited instances in FY 2000. Comment not repeated.
The CAPPS payroll interface was not posted to the General Ledger in a timely manner	38	Material weakness comment repeated in current year.
Untimely posting of Payroll entries	38	Material weakness comment repeated in current year.
The journal entries for CAPPS were not initially posted to the General Ledger	39	Material weakness comment repeated in current year.
The first journal entry to post the UPPS Payroll was to debit Cash Expenditures and credit the Cash in Treasury. However, the correct accounting for payroll should have been a debit to Cash Expenditures and a credit to Payroll Clearing Account	39	Noted limited instances in FY 2000. Comment not repeated.
The payroll clearing accounts have not been reconciled since December of 1998. The journal entry for "zeroing out" the payroll clearing accounts has not been set up in the SOAR system	39	Material weakness comment repeated in current year.
The reconciliation of the payroll account is not performed on a monthly basis. Per review of the payroll journal entries, reconciliations are performed at year-end	40	Material weakness comment repeated in current year.
Before UPPS payroll data is converted to CAPPS, adequate controls should be in place to ensure the integrity of data converted to CAPPS. There is no independent verification of the data integrity prior to conversion	40	Material weakness comment repeated in current year.
Payroll is posted to the SOAR general ledger via data downloads from the UPPS and CAPPS payroll runs	40	Material weakness comment repeated in current year.
Currently, the payroll entry to SOAR is posted in an automated machine-readable format	41	Material weakness comment repeated in current year.
University of D.C. Payroll not Posted Timely	42	Material weakness comment repeated in current year.
Invalid SSN	43	Not tested in current year.

Agency/Comment	Prior Year Comment Page # Reference	Status
<b>Account Payable</b>		
Noncompliance with the Quick Payment Provisions of the D.C. Code	48	Noted limited instances in FY 2000. Comment not repeated
Absence of Policy and Procedure Manual for the ADPICS and R*Star System in the Department of Health and the Department of Human Services	51	Noted limited instances in FY 2000. Comment not repeated
Inefficient Accounts Payable Financial Reports in the Metropolitan Police Department	51	Resolved.
Procurement Approval Process in the Department of Corrections	51	Resolved.
No Process made for the Proper Closing of Conversion Account Balances in the Office of the Chief Financial Officer	52	Resolved.
<b>Procurement</b>		
Inappropriate Contract File Maintenance/Inconsistent Filing System	55	Reportable condition comment repeated in current year.
Noncompliance with the Quick Payment Provisions of the D.C. Code-Material	70	Noted limited instances in FY 2000. Comment not repeated
Inadequate Contract Monitoring/Database	72	Reportable condition comment repeated in current year.
Noncompliance with Anti-Deficiency and Home Rule Acts (3)	78	Noted limited instances in FY 2000. Comment not repeated
Lack of Review/Authorization of Contract Documents and Transactions	81	Noted limited instances in FY 2000. Comment not repeated
Improper Use of Blanket Purchase Agreements - Material Weakness	85	Noted limited instances in FY 2000. Comment not repeated
Improper Use of Emergency Contracts - Material Weakness	86	Noted limited instances in FY 2000. Comment not repeated
Improper Use of Sole Source-Material Weakness	88	Noted limited instances in FY 2000. Comment not repeated
Contract Splitting	88	Noted limited instances in FY 2000. Comment not repeated
<b>Office of Tax and Revenue</b>		
Inadequate System for Recording Taxpayer Cash Receipts	97	Resolved
Inefficient Master File Reconciliation	97	Resolved
Reconciliation of the Investment Bank Account	97	Material weakness comment repeated in current year.
Inadequate Procedures First Union at the Lockbox Facility in Richmond, VA	98	Noted limited instances in FY 2000. Comment not repeated
Inaccurate Taxpayers addresses	98	Noted limited instances in FY 2000. Comment not repeated
<b>Department of Employment Services</b>		
Improve Collection Efforts & Timeliness of Receivables	116	Noted limited instances in FY 2000. Comment not repeated.
Untimely Update of Database of Employers	116	Noted limited instances in FY 2000. Comment not repeated.
Delay in Processing of Tax Information	116	Noted limited instances in FY 2000. Comment not repeated.
Perform Reconciliation of Pooled Cash on a Timely Basis	117	Material weakness comment repeated in current year.
Perform Reconciliation of Due to District Government	117	Reprtable condition comment repeated in current year.

District of Columbia  
2000 Management Letter  
Status of 1999 Comments

Agency/Comment	Prior Year Comment Page # Reference	Status
<b>Office of Chief Financial Officer (OCFO)</b>		
Unable to Verify Employee Pay Grade & Step	44	Noted limited instances in FY 2000. Comment not repeated
Missing Personnel File	44	Noted limited instances in FY 2000. Comment not repeated
Missing Time & Attendance Sheets	45	Noted limited instances in FY 2000. Comment not repeated
Incorrect Time & Attendance Sheets	45	Noted limited instances in FY 2000. Comment not repeated
The CAPPs payroll system does not have the ability to handle labor distribution redistribution	45	Incorporated into current year comment
The CAPPs payroll system has been subject to numerous schedule delays	45	Incorporated into current year comment
Payroll processing procedures were not updated to reflect CAPPs	45	Incorporated into current year comment
Per review of the SHARE Operations Manual, Payroll operating procedures have not been updated to reflect CAPPs	45	Incorporated into current year comment
Labor redistribution entry not subject to management review and approval	45	Noted limited instances in FY 2000. Comment not repeated
<b>Office of Finance and Resource Management (OFRM)</b>		
Electronic Voucher Numbers Not Assigned in Numerical Sequence	53	Noted limited instances in FY 2000. Comment not repeated
Intra-District Accounts System Defects	53	Reportable condition reported in FY 2000.
Lack of Monthly Reconciliation and Supporting Documentation	53	Incorporated into current year comment
Maintain Documents to Support Budget Changes	53	Noted limited instances in FY 2000. Comment not repeated
Intra-District Transactions Not Properly Recorded	53	Incorporated into current year comment
<b>Office of Tax and Revenue</b>		
Lack of Batch Control Totals	99	Resolved
Recorder of Deeds - Missing Documentation for Revenue Receipts	99	Resolved
Lack of Review of the Motor Fuel Tax Returns	99	Resolved
<b>Department of Human Services</b>		
Controls over the Posting of Cash Needs to be Strengthened	100	Incorporated into current year comment
Need for Interim Review and Reconciliation of Cash Collected	100	Incorporated into current year comment
Beginning Accounts Receivables Not Adequately Reflected in the SOAR System	101	Incorporated into current year comment
Additional Training needed for Users of the SOAR System	101	Incorporated into current year comment
Deficiencies Noted With the Program Services Center Agreement	102	Noted limited instances in FY 2000. Comment not repeated
Food Stamps	103	Noted limited instances in FY 2000. Comment not repeated
TANF	103	Noted limited instances in FY 2000. Comment not repeated
Child Day Care Services	103	Not tested in current year
Need for controls over processing of terminations and new placements to be performed more timely in Child Day Care Program	104	Not tested in current year
Payroll Deficiencies Noted in Department of Human Development	105	Noted limited instances in FY 2000. Comment not repeated
Unreconciled Information Reported by Separate Automated Systems - Food Stamps	105	Noted limited instances in FY 2000. Comment not repeated
Inconsistent Filing System for Procurement Documents	94	Incorporated into current year comment
Inconsistent Reference of Contract Numbers on Documents	95	Incorporated into current year comment

Agency/Comment	Prior Year Comment Page # Reference	Status
<b>Department of Health</b>		
Payroll Deficiencies	106	Noted limited instances in FY 2000. Comment not repeated
Beginning Accounts Receivables Not Adequately Reflected in the SOAR System	106	Resolved
Additional Training Needed for Users of the SOAR System	107	Incorporated into current year comment
Inconsistent Reference of Contract Numbers on Documents	95	Noted limited instances in FY 2000. Comment not repeated
<b>Department of Housing and Community Development</b>		
Loans Receivable Not Accurately Stated on The Financial Reports During The Year	108	Noted limited instances in FY 2000. Comment not repeated
Old Receivable Balances Should Be Written Off - Grant Disallowance Comment	108	Noted limited instances in FY 2000. <i>Comment not repeated</i>
A Strategic Plan to Utilize Funding Should Be Developed	108	Not tested in current year
The Agency Was Unable to Provide Records to Substantiate All Loans Issued and Outstanding	109	Noted limited instances in FY 2000. Comment not repeated
Loan Servicing Reports Were Incomplete and Inaccurate	109	Incorporated into current year comment
Key System Information For Loans Issued Was or Inaccurate	109	Noted limited instances in FY 2000. Comment not repeated
Payroll Deficiencies	110	Noted limited instances in FY 2000. Comment not repeated
Beginning Accounts Receivables Not Adequately Reflected in the SOAR System	110	Resolved
Additional Training Needed for Users of the SOAR System	110	Incorporated into current year comment
<b>OCFO - Office of Grants Management</b>		
Beginning Accounts Receivables Not Adequately Reflected in the SOAR System	112	Resolved
Additional Training Needed for Users of the SOAR System	112	Incorporated into current year comment
<b>Metropolitan Police Department</b>		
Beginning Accounts Receivables Not Adequately Reflected in the SOAR System	114	Resolved
Additional Training Needed for Users of the SOAR System	114	Incorporated into current year comment
Inconsistent Filing System for Procurement Documents	94	Incorporated into current year comment
Deficient Practices for Securing Contract Files	94	Incorporated into current year comment
<b>Department of Employment Services</b>		
Deficient Staff Knowledge Level	95	Resolved
Beginning Accounts Receivables Not Adequately Reflected in the SOAR System	118	Resolved
Additional Training Needed for Users of the SOAR System	118	Incorporated into current year comment
Cash Drawdowns Based on SOAR Expenditures and not on Actual Disbursements	119	Incorporated into current year comment
Improper File Maintenance (JTPA)	119	Not tested in current year
Requested Audit Schedules were Incomplete and / or lacking required information (JTPA)	119	Not tested in current year
Participant information should be reviewed and verified during the intake process (JTPA)	119	Not tested in current year
Expenditure not reported timely by Contractors (JTPA)	120	Not tested in current year
Inconsistent Information in Agency's Records (JTPA)	120	Not tested in current year
Controls over documents need to be addressed (JTPA)	120	Not tested in current year
Payroll data inconsistent and documentation missing	121	Noted limited instances in FY 2000. Comment not repeated
Beginning Balances Not Properly Converted	121	Resolved
Need to Evaluate Outstanding Receivable More Timely	122	Noted limited instances in FY 2000. Comment not repeated

Agency/Comment	Prior Year Comment Page # Reference	Status
<b>Department of Public Works (DPW)</b>		
Payroll Deficiencies	123	Noted limited instances in FY 2000. Comment not repeated
Grants Charged Incorrectly	123	Incorporated into current year comment
Inconsistent Filing System for Procurement Documents	94	Incorporated into current year comment
Deficient Practices for Securing Contract Files	94	Incorporated into current year comment
<b>Department of Corrections</b>		
Inconsistent Filing System for Procurement Documents	94	Incorporated into current year comment
Deficient Practices for Securing Contract Files	94	Incorporated into current year comment
Deficient Method of Preventing Duplicate Payments	96	Incorporated into current year comment
<b>Office of Contracts and Procurements</b>		
Inconsistent Filing System for Procurement Documents	94	Incorporated into current year comment
Deficient Practices for Securing Contract Files	94	Incorporated into current year comment
Inconsistent Reference of Contract Numbers on Documents	95	Incorporated into current year comment