

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL



Inspector General

January 8, 2001

The Honorable Anthony A. Williams
Mayor of the District of Columbia
One Judiciary Square
441 Fourth Street, N.W., Suite 1100
Washington, D.C. 20001

Dear Mayor Williams:

The purpose of this Management Implication Report (MIR No. 01-A-02) is to address the status of the District of Columbia's compliance with the Single Audit Act. Non-federal entities (state and local governments and non-profit entities) receiving federal financial assistance in the form of grants, loans, loan guarantees, and property must comply with the Single Audit Act.¹ The Single Audit Act requires non-federal entities expending federal funds totaling \$300,000 or more per year to complete a single audit or program specific audit.² The single audit has to be completed and submitted to the cognizant or oversight federal agency within nine months following the end of the fiscal year. Thus, District agencies must complete the audit by June 30th. If a non-federal entity expends less than \$300,000 for a particular year, it is exempt from the audit requirements for that year. Failure to comply with the Single Audit Act can result in severe penalties. The federal agencies can withhold, suspend, or terminate funds for non-compliance with the Single Audit Act.

Single Audit Background

The Single Audit Act of 1984 (Public Law 98-502) established the original requirements for the audits of state, local, and Indian tribal governments administering federal financial assistance programs. On April 12, 1985, the Office of Management and Budget (OMB) issued Circular A-128 "*Audits of State and Local Governments*," to provide

¹ Federal financial assistance also includes donated surplus property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

² A non-federal entity can elect to have a program specific audit if the entity expends federal funds under only one federal program (excluding research and development) and the federal program's laws and regulations or grant agreements do not require a financial statement audit of the entity.

implementing guidance for complying with the Single Audit Act. In 1990, the OMB administratively extended the single audit process to non-profit organizations by issuing Circular A-133, "*Audits of Institutions of Higher Education and Other Non-Profit Organizations.*"

On July 5, 1996, the President of the United States signed the Single Audit Act Amendments of 1996 (Public Law 104-156). On June 30, 1997, the OMB issued a final revision of Circular A-133, re-titled "*Audits of States, Local Governments, and Non-Profit Organizations,*" to implement the Single Audit Act Amendment of 1996. The final revision of Circular A-133 rescinded Circular A-128 and superseded the prior Circular A-133. The Single Audit Act Amendment of 1996 and revised Circular A-133 are effective for fiscal years beginning after June 30, 1996.

Responsibility for the District's Single Audits

The Procurement Practices Act of 1985 (D.C. Law 6-85; D.C. Code § 1-1182.8), as amended in 1996, required that agencies seeking external audit services go through the Office of the Inspector General (OIG) in order to contract for those services: "The Inspector General shall...[a]ct as liaison representative for the Mayor for all external audits of the District government." D.C. Code § 1-1182(c)(3)(B). Based on this passage (now deleted), the OIG's responsibilities included awarding and administering contracts for single audit services.

With the inception of Public Law 13-71 "Office of the Inspector General Powers and Duties Amendment Act of 1999, effective April 5, 2000, the OIG's responsibilities with respect to the acquisition of external audit services have been redefined. As a result, the OIG is no longer responsible for awarding contracts for single audit services for the District. However, the OIG is required to receive advance notification of all external audits conducted by any District government entity and receive a copy of any final report. On May 8, 2000, the OIG notified the Agency and Department Heads of their responsibilities for contracting for single audit services (Attachment A).

Single Audit Status

The District of Columbia has not been in full compliance with the Single Audit Act since its inception due to the audits not being completed on a timely basis. Currently, single audits for several District agencies have not been completed for Fiscal Years 1997, 1998, and 1999. Only three District agencies have completed single audits up until Fiscal Year 1999. The attached schedule shows the status of the single audits for District agencies, excluding the agencies under receiverships (Attachment B). The single audits for Fiscal Year 2000 are not due until June 30, 2001.

There are several factors contributing to the single audits not being completed timely. Some of the main factors contributing to the District's non-compliance with the Single Audit Act and OMB Circular A-133 are as follows:

- When the OIG officially assumed responsibility for the single audits in 1997, single audits for several District agencies had not been performed for Fiscal Years 1993, 1994, 1995, and 1996
- The Single Audit Amendment Act of 1996 made significant changes to the Single Audit Act of 1984. The amendment reduced the time period for completing the single audits from thirteen months to nine months. The amendment also requires the prior audit to be completed before the current audit, which makes it difficult for the audits to be performed concurrently.

In addition, significant management changes during the last three years have contributed to the audits not being completed on time. Many District agencies, including a number of large and medium-sized agencies, have experienced at least one change in their financial management staff. Several auditing firms currently performing single audits have also indicated that the District agencies are not providing information timely to them in order to facilitate the completion of the audits.

Further, the Report on Internal Controls and Compliance with Laws and Regulations for Fiscal Years 1998 and 1999, issued by the Independent Auditor, reported the District's non-compliance. Although the District still is not in full compliance with the Single Audit Act, significant progress has been made. The OIG has taken considerable measures to assist the agencies in complying with the Act. The OIG awarded single audit contracts covering Fiscal Year 1993 through Fiscal Year 1998 for the District agencies and the OIG has been working with the District agencies and the Office of the Chief Financial Officer to ensure the District agencies comply with the Single Audit Act.³ The OIG will continue to work with the appropriate officials until all District agencies are in full compliance with the Single Audit Act.

This MIR provides agency heads with information about conditions that, if not properly managed, could occur in their agencies. It is imperative that agency heads have the information necessary to detect, correct, and prevent similar conditions should such conditions exist in their own agencies.

³ In addition, the OIG awarded contracts for the single audits for Fiscal Year 1999 for the District of Columbia Public Schools and the University of the District of Columbia.

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If you have questions or need additional information, please contact me at the number below, or have a member of your staff contact William J. DiVello, Assistant Inspector General for Audits, on (202) 727-8279.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles C. Maddox".

Charles C. Maddox, Esq.
Inspector General

Attachments-2

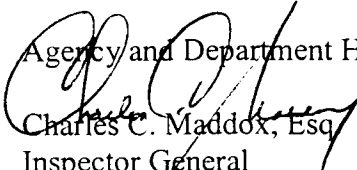
cc: District of Columbia Financial Responsibility
and Management Assistance Authority
District of Columbia Councilmembers
City Administrator/Deputy Mayor for Operations
Chief of Staff, Office of the Mayor's Chief of Staff
Agency Heads

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Charles C. Maddox, Esq.
Inspector General



Memorandum

To: Agency and Department Heads
From: 
Charles C. Maddox, Esq.
Inspector General
Date: May 8, 2000
Subject: Contracting for External Audit Services

The Procurement Practices Act of 1985 (D.C. Law 6-85; D.C. Code §1-1182.8), as amended in 1996, required that agencies seeking external audit services must go through the Office of the Inspector General (OIG) in order to contract for those services. However, with the inception of the "Office of the Inspector General Powers and Duties Amendment Act of 1999," (D.C. Law 13-71), effective April 5, 2000, (hereinafter, "the Act") the responsibility of the OIG with respect to the acquisition of external audit services has been redefined. The Act amends §208(a)(3)(B) of the Procurement Practices Act of 1985. The new language states that the Inspector General shall:

[r]eceive notification in advance of all external audits conducted by any District government entity, with the exception of the District of Columbia Auditor, and immediately provided with a copy of any final report issued.

Agencies seeking to obtain these services must now go through the Office of Contracting and Procurement instead of the OIG. As the Act provides, agencies are required to notify the OIG in advance of any external audits and must supply the OIG with a copy of the final contract audit report. However, the Act does not change the OIG's responsibility with regard to contracting for the annual audit of the District's financial statements (the Comprehensive Annual Financial Report), nor does it alter the OIG's authority to conduct and supervise audits, inspections, and investigations relating to the programs and operations of the District departments and agencies, including independent agencies.

Also, as a reminder to those agencies that expend \$300,000 or more in federal assistance, the Office of Management and Budget Circular A-133 (which promulgates the Single Audit Act) states that the Single Audit report is due nine months after the end of the fiscal year beginning with fiscal year 1999.

Accordingly, agencies will have the sole responsibility for contracting for the audits required by OMB Circular A-133. The OIG will, in its oversight capacity, conduct periodic reviews to determine whether agencies are adhering to this requirement.

For those contractual audits which are currently conducted under the auspices of the OIG, the accounting function of processing invoices will no longer be assumed by the OIG. Therefore, there will be no need to transfer funds to an OIG balance sheet account.

If you have any questions regarding this matter, please contact me on (202) 727-2540, or John N. Balakos, Assistant Inspector General for Audits, on (202) 727-8279.

cc: The Honorable Anthony A. Williams, Mayor, District of Columbia
The Honorable Alice M. Rivlin, Chair, DCFRA
The Honorable Linda W. Cropp, Chair, Council of the District of
Columbia
The Honorable Kathy Patterson, Chair, Committee on Government
Operations, Council of the District of Columbia

**District of Columbia
Office of the Inspector General**

Schedule of Status for Single Audits¹
(December 18, 2000)

Agency	Last Year of Completed Audit
Department of Employment Services	1997
Department of Human Services ²	1998
District of Columbia Public Schools ³	1997
Office of Aging	1999
Commission on Arts and Humanities ²	1998
Public Safety Cluster ⁴ :	
Pretrial Services Agency	1996
Office of Emergency Preparedness	1996
Office of Grants Management	1996
Metropolitan Police Department	1996
Department of Corrections ²	1998
Board of Parole ⁵	1997
District of Columbia Public Library	1996
Department of Consumer & Regulatory Affairs ⁶	1998
Department of Housing & Community Development	1996
University of the District of Columbia ²	1998
Public Works Cluster:	
Department of Public Works	1999
Department of Energy ²	1998
Water & Sewer Authority	1999

¹The Office of the Inspector General (OIG) awarded the contracts for the single audit services for Fiscal Years 1997 and 1998 for all District agencies, excluding those under receiverships. In addition, the OIG awarded the contracts for the single audits for Fiscal Year 1999 for the District of Columbia Public Schools and the University of the District of Columbia. The District agencies are now responsible for awarding their own contracts for single audit services. The single audit reports for Fiscal Year 2000 are not due until June 30, 2001.

²The single audits for Fiscal Year 1999 for the following agencies are currently being performed: Department of Human Services, Commission on Arts and Humanities, Department of Corrections, University of the District of Columbia, and Department of Energy. Many of these reports are near completion.

³The single audits for Fiscal Years 1998 and 1999 for the District of Columbia Public Schools are currently being performed under the OIG's purview.

⁴ There is currently a contract dispute with the agencies included in the Public Safety Cluster and the contractor performing the single audits for Fiscal Years 1997 and 1998.

⁵A single audit for Fiscal Year 1998 was not required because the agency did not meet the dollar threshold for an audit.

⁶The agency entered into an agreement with the U.S. Department of Health and Human Services for the D.C. Department of Human Services to be responsible for the Department of Consumer and Regulatory Affairs grants. The single audit for the Department of Consumer and Regulatory Affairs starting with Fiscal Year 1998 will be included in the Department of Human Services' single audit report.