

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF
FEDERAL GRANT MANAGEMENT
PRACTICES**



**CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



May 10, 2001

Dr. Natwar Gandhi, Chief Financial Officer
Office of the Chief Financial Officer
441 4th Street, N.W., Room 1150
Washington, D.C. 20001

Dear Dr. Gandhi:

Enclosed is the final report summarizing the results of our audit of the Audit of Federal Grants Management Practices (OIG No. 16-99-BQ).

The District depends on federal grant funds to support its ability to provide a wide range of services and programs for its citizens. During fiscal year (FY) 1999 alone, the District received \$1.4 billion in federal grant funds, which accounted for more than one-fourth of the total revenues it receives. Therefore, properly accounting for grant funds and obtaining timely reimbursement for District funds expended is paramount if the District is to maximize the advantages of effective cash management. The Chief Financial Officer of the District has the responsibility to ensure that policies governing the management of grant funds are effectively implemented.

This audit was conducted primarily to follow up on the conditions noted in a previous review conducted by the OIG. During 1998, the OIG conducted a review of the District's reports of grants received during FY 1995 through FY 1998 that were subject to the Federal Government's Cash Management Improvement Act of 1990 (CMIA). Our report, issued on July 26, 1999, disclosed that substantial funds were being lost because the District failed to request reimbursement for expenditures paid for federal grants in a timely manner. The OIG also issued a Management Implication Report (MIR-00-A-01) on November 16, 1999, informing District agency heads that these conditions may be occurring within their agencies and of the necessity to make cash management a priority.

Our audit disclosed that three out of the four agencies examined were not utilizing effective cash management practices for requesting reimbursement of grant funds once program expenditures had been made. As a result, the District was losing interest revenue on funds that were used to pay for federally funded programs. This condition continued to exist, despite current policies that require agencies to apply for reimbursement soon after the expenditure is made. Ineffective cash management practices resulted in a potential loss of as much as \$935,000 of interest revenue on grant expenditures. In addition, one agency had not

timely requested reimbursement for expenditures made and lost an additional \$14,000 because the period available to request reimbursements for grant funds had expired. It was also found that the District paid nearly \$162,000 to an accounting firm to reconcile grant records of two of these agencies because of poor record keeping practices. Given the \$1.4 billion annual federal grant revenue that the District receives, substantial funds will be lost if this condition continues.

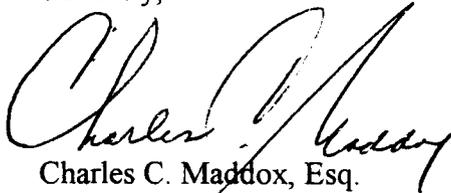
The CFO's comments to the draft of this report are generally responsive to the intent of the recommendations. In his response to our draft report, the CFO continued to commit to improving cash management practices within the District of Columbia Government. Further, he detailed new processes put into effect to ensure agencies' compliance with the CMIA, and new responsibilities of the Office of Finance and Treasury to review and monitor cash management activities at all agencies. The CFO's comments are incorporated where appropriate. The full text of the CFO's response is included at Exhibit A.

The OIG recognizes the improvements made by the OCFO, and acknowledges the results of its efforts to recover monies identified as unreimbursed and its commitment to continuously improving cash management practices within the District of Columbia.

We appreciate the cooperation and courtesies extended to our staff during this audit and want to recognize the efforts of persons in the Office of Finance and Treasury who worked meticulously to resolve the outstanding balances identified in our draft report.

If you have any questions, please call me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles C. Maddox, Esq.
Inspector General

Enclosure

CM/cj

cc: See attached page for distribution list

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