

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



May 2, 2001

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

The Honorable Linda W. Cropp, Chairman  
Council of the District of Columbia  
441 Fourth Street, N.W., Suite 704  
Washington, D.C. 20001

The Honorable Alice M. Rivlin, Chairman  
D.C. Financial Responsibility and  
Management Assistance Authority  
441 Fourth Street, N.W., Suite 570  
Washington, D.C. 20001

Dear Mayor Williams, Chairman Cropp, and Dr. Rivlin:

In connection with the audit of the District of Columbia Health and Hospitals Public Benefit Corporation (PBC) for the period ending September 30, 2000, the auditing firm, KPMG, LLP, submitted the enclosed Independent Auditors' Report with accompanying notes and the Report on Compliance and Internal Controls Over Financial Reporting. The audit reported that the financial statements present fairly, in all material respects, the financial position of the PBC. Among other findings, the audit reported that the PBC was indebted to the District for \$42,059,000, as of September 30, 2000. The indebtedness was due to disbursements made by the District, on the PBC's behalf, in excess of appropriations, cash collections and capital contributions.

Notwithstanding the fair presentation of the financial statements, several factors or conditions led to material weaknesses that were identified in the Report on Compliance and Internal Controls, particularly with regard to the controls over financial reporting and operations at the PBC. In fiscal year 2000, the PBC maintained separate bank accounts in addition to participating in the District's pooled cash management program. PBC also maintained separate subsidiary ledgers to account for its patient accounts receivables and various other account balances, such as building and equipment. During a portion of the period under audit, no

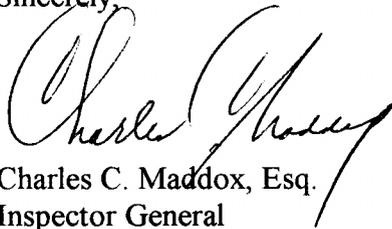
subsidiary ledger activity was reconciled to the related general ledger control accounts. This situation prevented PBC management from fully analyzing the collectability of its third party receivables and from allowing management to convert those receivables to cash on a timely basis. Additionally, PBC management was also prevented from closing its books for the fiscal year on a timely basis.

In response to this situation, it was necessary for the District to hire a contractor to assist the PBC in recording financial activity, reconciling bank accounts and subsidiary ledgers, posting adjustments, and preparing the financial statements for fiscal year 2000.

While we are aware of the recent action to abolish the PBC and transfer management of DC General Hospital to a private firm, we believe this report provides useful information to those who will be responsible for managing internal controls and financial operations.

If you have any questions, or need additional information, please contact me, or have a member of your staff contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

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

Charles C. Maddox, Esq.  
Inspector General

Enclosure

CM/ws

cc: See Distribution List

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