



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

**FISCAL YEAR 2003
AUDIT AND INSPECTION
PLAN**

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



August 30, 2002

The Honorable Anthony A. Williams
Mayor
District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., 6th Floor
Washington, D.C. 20004

The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Re: Office of the Inspector General's Fiscal Year 2003 Audit and Inspection Plan

Dear Mayor Williams and Chairman Cropp:

This letter transmits the Office of the Inspector General's (OIG) *Fiscal Year 2003 Audit and Inspection Plan* (Plan). This Plan has been prepared pursuant to D.C. Code § 2-302.08(a)(3)(I) (2001), which states, in part, that the Inspector General shall "[n]ot later than 30 days before the beginning of each fiscal year . . . and in consultation with the Mayor, the Council, and the Authority, establish an annual plan for audits to be conducted under this paragraph. . . ." For your convenience, as we did last year, we have incorporated our strategy for inspections into the Plan.

The Plan contains audits and inspections that are discretionary, required, or identified pursuant to special requests from District leaders, managers, and other stakeholders. Specifically, our Plan provides for conducting reviews that are designed to assess the results of various budgeted programs, which includes the economy and efficiency of actions taken to attain those results.

In formulating the Plan, we identified agencies and programs considered material in terms of service delivery and fiscal impact. Additionally, we considered risk factors, which include the following:

- material internal control weaknesses;
- potential fraud, other criminal acts, or improper practices;
- substantial violations of program directives or poor management practices that could seriously affect program accomplishment;
- major inefficiencies in the use of resources or management of operations; and
- significant program performance issues.

The OIG has and continues to play a role in assisting District management in addressing areas of risk. As such, we have developed five strategic themes that will govern our operations, help us achieve our mandated mission, and further the Mayor's strategic initiatives. These themes are:

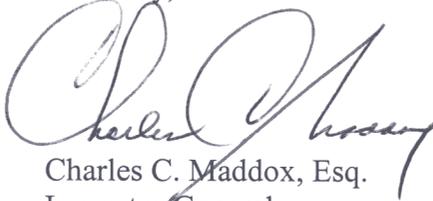
- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law

The Plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's fiscal integrity and continued financial strength. To address these risks, the Plan has been designed to concentrate on five themes that take into consideration the legislative triggers that could require the District's return to the operational control of the D.C. Financial Responsibility and Management Assistance Authority. When District leadership and the OIG identify and address such risks early, the likelihood of returning to a control period in the future is minimized. Accordingly, the Plan provides for coverage, within the five themes, of the various events described in D.C. Code 47-392.09 (2001) that could trigger the return to a "control period." *Id.* These events are discussed in more detail in the Plan.

Although the scope of audits and inspections described herein is subject to change based upon our discretion and resource availability, we are optimistic that this Plan contemplates projects that will allow the District to become more efficient, cost effective, and responsive in its operations and services.

Copies of the enclosed plan and our published audit and inspection reports are available at www.dcig.org. If you have questions or desire additional information, contact me or Austin Andersen, Deputy Inspector General, at (202) 727-2540.

Sincerely,



Charles C. Maddox, Esq.
Inspector General

Enclosure

CCM/cj

cc: See Distribution List

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**FISCAL YEAR 2003
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TABLE OF CONTENTS

INTRODUCTION1

THE AUDIT PROCESS5

THE INSPECTION AND EVALUATION PROCESS11

ADDITIONAL REPORTING AND ALERTS15

THEME/AGENCY INDEX.....19

PLANNED AND ONGOING AUDITS AND INSPECTIONS.....25

 I. REVENUE ENHANCEMENT27

 II. SPENDING AND EFFICIENT USE OF RESOURCES35

 III. DELIVERY OF CITIZEN SERVICES45

 IV. SUPPORT SERVICES57

 V. AUDITS REQUIRED BY LAW61

INTRODUCTION

INTRODUCTION

The Office of the Inspector General (OIG) is pleased to present the Fiscal Year 2003 Audit and Inspection Plan for the Government of the District of Columbia. Pursuant to D.C. Code § 2-302.08(a)(3)(I) (2001), the OIG, in consultation with the Mayor, and the District of Columbia City Council (Council), is required to establish an audit plan 30 days prior to the commencement of the new fiscal year.

The Plan includes descriptions of mandated audits and discretionary audits and inspections to be conducted in the upcoming fiscal year based on risk assessments of vulnerable programs and issues; input from the District's executive and legislative leadership, agency officials, and other stakeholders; and the requirements of Public Law. This year, we have also included audits and inspections ongoing as of September 1, 2002.

In an effort to sharpen the focus of our audits and inspections, the OIG continuously assesses those programs and activities that pose the greatest risk to the District. Statutory mandates govern the conduct of many of our activities; however, the majority of our activities are discretionary. Responsible use of our discretionary powers has become increasingly important as the D.C. Financial Responsibility and Management Assistance Authority suspended its oversight role on September 30, 2001, and District stakeholders have emphasized their continuing commitment to avoid risks that could trigger the re-emergence of budget deficits and management inefficiencies.

The Plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's fiscal integrity and continued financial strength. In assessing these risks, our audit plan has been designed to concentrate on five strategic themes that will govern our operations, help us achieve our mandated mission, and further the Mayor's strategic initiatives. These themes are:

- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law

Our Plan also takes into consideration the legislative triggers that could require the District's return to the operational control of the D.C. Financial Responsibility and Management Assistance Authority. D.C. Code 47-392.09 (2002) states, in part, that a "control period" is initiated upon the occurrence of any of the following events:

- requisitioning by the Mayor of advances from the Treasury of the U. S. under Title VI of the D.C. Revenue Act of 1939;
- failure of the District government to provide sufficient revenue to a debt service reserve fund of the Authority;
- the default by the District government with respect to any loans, bonds, notes or other form of borrowing;
- the failure of the District government to meet its payroll for any pay period;
- the existence of a cash deficit of the District government at the end of any quarter of the fiscal year;
- the failure of the District government to make required payments to pensions and benefits; or
- the failure of the District government to make required payments to any entity established under an interstate compact to which the District of Columbia is a signatory.

We have undertaken an ambitious Plan, shaped in part by concerns of the District leadership. Accordingly, our Plan reflects ideas and suggestions from the Mayor's office, Councilmembers, District agency officials, and others. The listing of a particular audit or inspection in this plan does not necessarily mean that problems exist or that a review will be undertaken. The realities of having limited resources and the unknown priorities arising from exigencies throughout the year often determine what audits or inspections can ultimately be initiated in any fiscal year.

What follows is a short summary of each audit and inspection, ongoing as of September 1, 2002, or planned for fiscal year 2003. They are categorized first by theme and then by issue area within a theme. Issue areas are not mutually exclusive of other themes; however, an audit or inspection is listed under the issue area where the majority of the reviews are intended to focus.

THE AUDIT PROCESS

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THE AUDIT PROCESS

An established sequence of events occurs for every audit conducted. These steps include the announcement of the audit (engagement letter), the entrance conference, fieldwork, exit conference, a resolution process, and audit follow-up. Each step is discussed below.

Engagement Letter

Prior to the start of an audit, we normally send the head of the agency a letter announcing the audit. The letter includes the title of the audit effort and a project number and describes the audit objectives, the scope of the review and the planned starting date. The letter also explains that we plan to hold an entrance conference to brief the appropriate management officials about the audit. The engagement letter may also advise agencies of our working space requirements, any specific information needs, and other support requirements.

Entrance Conference

At the beginning of each audit, we hold a formal entrance conference with the management officials whose operations are to be audited. It is at this initial meeting that the auditors will explain the purpose of the audit, including the audit objectives, the scope of the audit effort, audit methodologies, and audit reporting process. If management has requested the audit, it is an opportune time to discuss management's concerns and possibly adjust or add specific audit objectives to focus on management's specific areas of interest or potential problems. During the conference, we encourage management officials to bring to the attention of the audit team members any concerns, ideas, or special circumstances concerning the matters to be audited.

Fieldwork

Audit fieldwork begins with the survey phase. We normally conduct surveys to obtain information on a program, activity, or function and to perform initial tests in line with our audit objectives to discern any vulnerable areas on which we need to focus our audit efforts. After we complete the survey work, we will determine whether there is sufficient basis for additional audit work. When such a determination is made, we perform the second phase of fieldwork, which is the audit execution phase. Normally, the bulk of the audit work is performed in the audit execution phase, when more extensive reviews of records and documentation are undertaken and detailed tests performed to determine whether programs and systems are functioning as intended. In this phase, the auditors will begin to develop their findings and recommendations.

Audit fieldwork often requires the cooperation of agency personnel to answer questions; provide access to original records, documentation, and files; and prepare information requested by the auditors. Keeping in mind that agencies need to focus on their normal workload, our auditors make every attempt to limit requests for information to the level necessary to complete the audit.

Keeping Agency Officials Informed

During the course of the audit, we keep management officials advised of any deficiencies and/or weaknesses we identify. Our auditors are instructed to keep agency officials informed of the audit's progress and to be alert to issues that need to be immediately brought to their attention. Managers of an organization being audited can also expect the following types of formal communications:

Audit Memorandum. As the audit progresses, we may provide the agency head with interim findings or discussion drafts to alert the agency head of matters requiring immediate attention or action and to obtain informal comments regarding the accuracy and completeness of the audit findings.

This early communication serves three purposes:

1. It gives the agency the opportunity to voice concerns and provide additional information.
2. It reduces misunderstandings or inaccuracies.
3. It allows agencies to correct problems as they are identified.

Audit Exit Conference. After all audit work is completed, we conduct an exit conference with agency officials. At the exit conference we summarize the issues previously brought to management's attention as well as the findings and recommendations we may have developed. This is an opportune time to discuss the corrective actions needed to address any deficiencies. We encourage management to take immediate corrective action, if possible. Substantiated corrective actions taken by management are included in our draft report.

Draft Audit Reports. After considering any comments and concerns raised at the exit conference, we prepare a draft report and send it to agency officials responsible for ensuring implementation of the corrective actions. Usually, we request the agency official to respond in writing to a draft report within 15 business days. The reply should include the actions taken and planned, target dates for any uncompleted actions, and the reasons for any disagreements with the findings or recommendations.

Final Report. After carefully analyzing management's response to the draft report, we incorporate management's response into the body of the report and include the full text of the reply in an appendix to the report. We send copies of the final report to the agency official responsible for taking corrective action. This usually is the head of the agency. Copies of the final report are also provided to the Mayor, City Administrator, D.C. Council, and other officials, as appropriate. OIG audit reports may also be provided to congressional committees, individual members of Congress, and the press. Generally, audit reports are available to the public on the OIG website.

Resolution Process. Prior to issuing the final report, the OIG will make every reasonable effort to resolve a disagreement with agency officials responsible for acting on report recommendations. If an agreement is not attainable, the final report will be issued and agency officials will be given another opportunity to comment on the final report. If comments to the final report indicate a continuing disagreement with the report's findings or recommendations, the issue will be resolved at the Inspector General level in conjunction with the Mayor.

Audit Follow-up. District officials and managers are responsible for implementing the corrective actions they have agreed to undertake in response to the audit report. The OIG monitors progress in implementing audit recommendations. Periodically, the OIG conducts follow-up audits to verify that pledged actions have been taken and were effective in correcting reported deficiencies. In addition, the Executive Office of the Mayor has initiated a system to track OIG recommendations, agency responses, and corrective actions.

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THE INSPECTION AND EVALUATION PROCESS

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THE INSPECTION AND EVALUATION PROCESS

Consistent with the Mayor's initiative to review, evaluate, and improve performance standards in all components of the District of Columbia government, the Inspections and Evaluations (I&E) Division is dedicated to providing decision makers with objective, thorough, and timely evaluations of District agencies and programs, and to making recommendations that will assist those agencies in achieving operational efficiency, effectiveness, and economy.

I&E has proven to be an effective mechanism for identifying weaknesses in agency operations, ensuring compliance with applicable laws, regulations and policies; identifying accountability; recognizing excellence; and promoting improvement in the delivery of services to District residents. The Division plans to complete inspections that focus on delivery of citizen services and the implementation of inspection recommendations to correct reported deficiencies.

The I&E follows the inspection process adhered to by most federal OIGs and endorsed by the President's Council on Integrity and Efficiency. This process includes an official announcement letter to the agency head; an entrance conference where agency officials can alert the inspection team to areas that concern management and the parameters of the inspection are defined; surveys and focus groups where appropriate; fieldwork, findings and recommendations in a draft Report of Inspection (ROI) which is reviewed and commented on by agency management; a final ROI, and an exit conference. During the course of an inspection, management will be advised of any significant findings that the inspection team believes require immediate attention.

The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Recommendations are made in each Report of Inspection that focus on correcting noted deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents. Inspections have little value, however, if the reported deficiencies remain uncorrected.

While mechanically similar to the audit process, inspections typically have a broader scope, often evaluating *all* of the key operations of an agency in order to help managers improve diverse policies, programs, and procedures. On the other hand, an audit is generally more narrowly focused and directed toward one or more specific operational or financial issues. Often, audits identify monetary and other benefits associated with economy and efficiency and

program results. An inspection combines some of the best features of several disciplines, including management analysis, traditional program evaluation, audits, survey research, program monitoring, and compliance reviews.

The Inspections and Evaluations Division tracks agency compliance with recommendations resulting from an inspection. A *Findings and Recommendations Compliance Form* is issued for each finding and recommendation, along with the Report of Inspection, so agencies can record and report actions taken on I&E recommendations. Agencies are asked to provide target dates for completion of required actions, to document when recommendations have been complied with, to describe the action taken, and to ensure that the forms are validated by the signature of the responsible agency official.

ADDITIONAL REPORTING AND ALERTS

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ADDITIONAL REPORTING AND ALERTS

In addition to final reports issued upon the completion of an engagement, the OIG has instituted three special reports:

- Management Alert Report (MAR)
- Management Implication Report (MIR)
- Fraud Alert Report (FAR)

A MAR is a report that is issued to the head of an agency for the purpose of identifying systemic problems that should and could be addressed during an audit, investigation, or inspection process. This report can also be used as a quick reaction report when it is necessary to advise management that significant time-sensitive action is needed.

A MIR is a report that is issued during or at the completion of an audit, investigation, or inspection alerting all District agencies of a potential problem, which may or may not be occurring in their particular agency.

A FAR is a report identifying a fraudulent scheme or schemes that are discovered most commonly as a result of a criminal investigation. This report is issued to alert all District agencies to be on the lookout for similar schemes.

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THEME/AGENCY INDEX

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Theme/Issue Area/Review Title	A G E N C Y	S T A T U S ¹	P A G E
I. Revenue Enhancement			
A. Medicaid			
1. Audit of DCPS Special Education Program and Medicaid	GA	P	28
2. Audit of Medicaid Taxicab Voucher Program	HC	O	28
3. Audit of Medicaid Reimbursements at DMH	RM	P	29
4. Comprehensive Audit of The District's Medicaid Program	MA	O	29
B. Grants Management			
5. Audit of the Single Audit Process	MA	P	31
6. Audit of the D.C. Grant Management Process	MA	P	31
C. Tax Collections			
7. Audit of the Office of Tax and Revenue Integrated Tax System	AT	P	32
8. Audit of the District's Collection of Tax Revenue	AT	P	32
D. Other Revenue Issues			
9. Audit of Rent Collections	MA	O	33
10. Audit of the D.C. Lottery and Charitable Games Control Board	DC	P	34
II. Spending and Efficient Use of Resources			
A. Procurement			
11. Audit of the District Department of Transportation	KA	O	36
12. Audit of Procurement Administration at Fire and Emergency Medical Services and Office of Contracting and Procurement	FB	O	36
13. Audit of Procurement Administrative Lead Time	PO	P	37
14. Audit of the Procurement of Expert and Consulting Services	PO	P	37
15. Audit of Pre-Award and Post-Award Contract Audits	PO	P	38
16. Audit of Procurement Activities	MA	O	38
17. Audit of the DOC Correctional Treatment Facility Contract	FL	P	39
B. Social Service Spending			
18. Audit of the Administration of Funds for the Homeless Shelter Services Program	JA	O	39
19. Audit of the Health Care Safety Net Administration	HC	O	40
20. Audit of Management Operations at the University of the District of Columbia	GF	P	41

¹ "O" indicates the review is ongoing as of September 1, 2002, and "P" indicates the review is planned to start in FY 2003.

Theme/Issue Area/Review Title	A G E N C Y	S T A T U S ¹	P A G E
C. Other Spending Programs			
21. Audit of the Administrative System Modernization Plan Contract	TO	P	41
22. Audit of Real Property Maintenance	AS	P	42
23. Audit of Vehicle Maintenance in the District of Columbia	MA	P	42
24. Audit of Telecommunication Circuits	TO/AS	P	43
25. Audit of Appropriated Funds for Citizen Protection	MA	P	43
26. Audit of DCPS Non-Personal Service Expenditures	GA	P	44
III. Delivery of Citizen Services			
A. Core Services			
27. Audit of the Child Support Enforcement System	CB	O	46
28. Audit of Management Operations at DHCD	PH	O	46
29. Audit of Management Operations at the Department of Mental Health	RM	O	47
30. Audit of Management Operations at the Child and Family Services Agency	RL	P	47
31. Audit of Performance Measures	MA	P	48
32. Audit of the District's Destiny System at DMV	KV	P	48
33. Audit of Foster and Group Homes for Abused and Neglected Children	JA	P	49
34. Audit of Hope VI Grant Funds	PH	O	50
35. Inspection of the Department of Health	HC	O	50
36. Re-Inspection of the Department of Motor Vehicles	KV	P	51
37. Re-Inspection of the Department of Motor Vehicles' Inspection Station	KV	P	51
38. Re-Inspection of the Department of Health Medical Assistance Administration.	HC	P	52
39. Re-Inspection of the Department of Parks and Recreation	HA	P	53
40. Re-Inspection of the Department of Public Works, Solid Waste Management Administration	KT	P	54
41. Re-Inspection of the Department of Public Works, Fleet Management Administration	KT	P	54
42. Inspection of the Department of Human Services, Youth Services Administration	JA	P	55

Theme/Issue Area/Review Title	A G E N C Y	S T A T U S ¹	P A G E
43. Inspection of the Taxicab Commission, Department of Human Services	JA	P	56
IV. Support Services			
A. Information Systems			
44. Audit of Information Technology at the Share Data Center	TO	O	57
45. Audit of the D.C. Public Schools' Personnel and Payroll System	GA	P	58
B. Human Capital			
46. Audit of Hiring Practices and Background Checks	MA	P	59
47. Audit of the Management of D.C. Teachers, Police, and Fire-fighter Retirement Programs	MA	P	59
V. Audits Required by Law			
A. Financial Integrity			
48. Audit of the Comprehensive Annual Financial Report for FY 2002	MA	O	61
49. Audit of the Home Purchase Assistance Fund	DB	P	62
50. Audit of the Professional Engineering Fund	CR	P	63
51. Audit of the District of Columbia Antifraud Fund	CB	P	63
52. Audit of the Washington Interfaith Network	WIN	O	64
53. Audit of the District of Columbia Highway Trust Fund	KT	P	64

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PLANNED AND ONGOING AUDITS AND INSPECTIONS

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I. REVENUE ENHANCEMENT

Similar to other municipal jurisdictions across the U. S., the effects of the September 11th disaster and the general downturn in the economy have impacted District revenue, making it increasingly difficult to meet planned spending levels. For fiscal year 2003, we will perform audits that assess whether the District is effective in levying and collecting tax-based revenue, acting on all grant-based revenue opportunities, executing effective Medicaid reimbursement programs in the agencies, and optimizing other revenue generating activities. These audits address whether the District is maximizing its revenue potential from all known revenue sources.

We categorized planned Revenue Enhancement reviews into Issue Areas that, while not mutually exclusive of other OIG themes, are primarily focused on the Revenue Enhancement theme. Accordingly, the Issue Areas are Medicaid, Grants Management, Tax Collections, and Other Revenue Issues.

A. Medicaid

The Medicaid Program has been of continuing concern to the District for some time and has been identified in recent Management Reports related to the Comprehensive Annual Financial Report as a material weakness affecting the District's financial management infrastructure. At least one Congressional committee, as well as the Mayor and the Council, recognized that Medicaid is a serious problem for the District that has threatened the solvency of some District agencies. For these reasons, the OIG has designated the Medicaid Program for audit emphasis until the risk to the District is more manageable. Accordingly, our plan for Medicaid coverage is citywide and comprehensive. We have designed reviews to provide comprehensive coverage of the Medicaid Program. In the initial phase, a review will identify those areas that stakeholders believe to be problematic. We will identify ongoing efforts to resolve past and current Medicaid problems and new pressures on the Program. Subsequent phases of the review will concentrate on the risks identified by the initial phase and any other risks identified subsequently. The District's Medicaid program currently expends approximately \$1 billion each fiscal year.

NO. 01 **D.C. Public Schools (DCPS)** **STATUS: Start FY 2003**

TITLE: **AUDIT OF DCPS SPECIAL EDUCATION PROGRAM AND MEDICAID**

OBJECTIVES: Our audit objective is to determine whether DCPS has the financial management infrastructure in place to identify, record, track, and support Medicaid reimbursable expenditures. We will also follow-up on actions taken by DCPS in response to our prior audit (Audit Report, OIG No. 00-2-8GA), issued November 2, 2000.

JUSTIFICATION: The D.C. Public School system has experienced spending pressures in FYs 2001 and 2002 largely due to shortfalls in Medicaid revenue. Since Medicaid reimbursements generally provide for 70 percent of the cost of medical services for students in need, failure to execute Medicaid reimbursements (whether due to system problems or documentation) has become a principal cause of the continuing year-end spending pressures at DCPS. Fiscal year 2003 budget estimates for the Medicaid Program at DCPS approximate \$27 million. The same budget estimates an allocation of \$153 million for DCPS' special education program. As part of the follow-up on previously reported deficiencies, we plan to review the accuracy of the database for special education students, the adequacy of special education function payments, and whether DCPS is sufficiently monitoring the activities of nonpublic day schools and residential schools.

NO. 02 **Department of Health (DOH)** **STATUS: Ongoing**

TITLE: **AUDIT OF MEDICAID TAXICAB VOUCHER PROGRAM**

OBJECTIVES: The objectives of the audit are to determine whether DOH, in relation to the Medicaid Taxicab Voucher Program: (1) established adequate operating regulations, procedures, and guidelines; (2) complied with applicable procedures and guidelines; (3) properly approved and documented taxicab fare reimbursements; and (4) implemented adequate internal controls to guard against fraud, waste, and abuse.

JUSTIFICATION: The Medicaid Fraud Control Unit of the OIG made a referral to the audit division in which it sought a review the internal controls

associated with payments of taxicab fees. This audit will undertake a review of the issues based on that referral.

NO. 03 **Department of Mental Health** **STATUS: Start FY 2003**
(DMH)

TITLE: **AUDIT OF MEDICAID REIMBURSEMENTS AT DMH**

OBJECTIVES: Our audit objective is to determine whether DMH, specifically with regard to Medicaid claims processing for St. Elizabeths Hospital, has implemented corrective actions to improve the process for reimbursement of Medicaid covered health care costs. Additionally, we will assess the effectiveness of the Medicaid reimbursement process to determine whether any additional improvements are needed.

JUSTIFICATION: The DMH has recently been transferred from the authority of a court-appointed trustee back to the District government to oversee its operations. For the past few years, DMH has not submitted Medicaid claims due, in part, to its inability to satisfactorily document and justify claimed medical costs. Ostensibly, DMH has overcome this problem by taking actions to improve the claims process. We will evaluate the claims process, document improvements, and determine whether any additional actions are needed in the Medicaid claims process. The FY 2003 budget estimates about \$60 million in Medicaid-based revenue.

NO. 04 **Multi-Agency** **STATUS: Start FY 2003**

TITLE: **COMPREHENSIVE AUDIT OF THE DISTRICT'S**
MEDICAID PROGRAM

OBJECTIVES: Our objectives are to determine whether: (1) an adequate financial management infrastructure exists to track Medicaid accounting events; (2) adequate internal controls, including written policies/guidance, exist for authorizing, recording, and reporting Medicaid claims and for filing timely and accurately supported Medicaid claims; and (3) record management is adequate for maintaining necessary supporting documentation.

JUSTIFICATION: Medicaid expenditures are nearly 20 percent of total District general fund expenditures. Medicaid expenditures for all District

agencies (federal and local funds), reached nearly \$1 billion in each fiscal year from FY 2000 through 2002. Over 130,000 District residents rely on Medicaid in order to obtain health-related services.

In addition to Medicaid's obvious budget impact, interest in Medicaid is tied to the fact that Medicaid accounting and reporting were cited as two material weaknesses in the management letter issued in conjunction with the FY 2001 Comprehensive Annual Financial Report. Failure to timely file Medicaid claims, to maintain adequate supporting documents, and to timely and properly record reserves for Medicaid led to the need to record a \$100 million allowance for possible uncollectible Medicaid claims at the end of FY 2001. Also, as was widely publicized, the D.C. Public Schools had a potential \$80 million deficit near the end of the fiscal year. Half of this deficit was due to the disallowance of Medicaid claims, which resulted in less revenue than was anticipated.

The audit will be conducted in phases to ensure comprehensive citywide coverage of the Medicaid Program.

B. Grants Management

The District depends on federal grant funds to support its ability to provide a wide range of services and programs for its citizens. Federal grants account for a significant portion of District revenues. Therefore, it is essential that the District properly account for grant funds and obtain timely reimbursement for District funds expended. The Chief Financial Officer of the District has the responsibility to ensure that policies governing the management of grant funds are effectively implemented.

Deficiencies related to federal grants include non-compliance with reporting requirements, poor cash management practices, insufficient monitoring, untimely billings/requests for reimbursements, and inadequate supporting documentation for related expenditures. These deficiencies have cost the District millions of dollars, in addition to the use of funds and lost interest. Poor controls over these areas may result in unused grant funds, termination of fund availability, and potential fines and/or penalties. Grants management has emerged as a persistent problem area as indicated by findings and recommendations of past OIG inspections and audits.

NO. 05 **Multi-Agency** **STATUS: Start FY 2003**

TITLE: AUDIT OF THE SINGLE AUDIT PROCESS

OBJECTIVES: The objective of this audit is to follow-up on Management Implication Report (MIR No. 01-A-02), which addressed the status of the District of Columbia's compliance with the Single Audit Act. *See* The Single Audit Act of 1984 (Pub. L. No. 98-502).

JUSTIFICATION: Although the MIR did not make any specific recommendations, it did identify the District's lack of 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. 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. The single audit must be completed and submitted to the federal agency with oversight authority within 9 months following the end of the fiscal year. Thus, District agencies must have the audit completed by June 30th. Failure to comply with the Single Audit Act can result in severe penalties, such as the withholding, suspension, or termination of federal funds. If a non-federal entity expends less than \$300,000 for a particular year, it is exempt from the audit requirements for that year.

NO. 06 **Multi-Agency** **STATUS: Start FY 2003**

TITLE: AUDIT OF THE D.C. GRANT MANAGEMENT PROCESS

OBJECTIVES: Our audit objectives are to determine whether: (1) the District is maximizing its annual grant revenue from all available sources; (2) the responsible agency is applying for grants as they become available; and (3) some eligible agencies and organizations are prevented from applying for grants because the agency is unable to provide matching funds.

JUSTIFICATION: Each year the District government receives millions of dollars in grants from federal agencies. The District uses these grant funds to reimburse the District's pooled cash account, which is used to finance transactions of the District agencies. In the interim

between the disbursement from the District's pooled cash account and the reimbursement from the federal agencies (grant funds), the District is losing money in the form of interest and use of cash assets.

C. Tax Collections

Tax collections generate the bulk of revenue to finance District operations paid from the General Fund. The efficiency of the tax collection automated systems and the effectiveness of policies, procedures, and internal control will determine whether the District is maximizing collection of taxes due the city.

NO. 07 **Office of Tax and Revenue** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE OFFICE OF TAX AND REVENUE INTEGRATED TAX SYSTEM**

OBJECTIVE: Our audit objective is to review computer application controls over the Integrated Tax System.

JUSTIFICATION: The Office of Tax and Revenue replaced its old computer system with a new system called the Integrated Tax System. All integrated computer systems should be designed to preclude access to the system and should have a number of application controls embedded in the system to prevent unauthorized intrusion. The importance of sound application controls is manifest in the fact that this system processes billions of dollars in taxes each year. This application controls audit will evaluate the adequacy of the application controls in the Integrated Tax System.

NO. 08 **Office of Tax and Revenue** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE DISTRICT'S COLLECTION OF TAX REVENUE**

OBJECTIVES: Our audit objectives are to determine whether the District is effectively collecting various types of local taxes. Specific objectives include evaluating the processes in accounting for billing, collecting, and enforcing collection of taxes due the

District. The audit will examine the internal controls associated with the collection of tax revenue.

JUSTIFICATION: In FY 2002, the District anticipated collecting about \$3.3 billion in tax revenue. Due in part to the September 11th disaster and a general downturn in the economy, tax revenue has fallen off, especially when compared to last year. With the economy showing little signs of near-term recovery, the District must be vigilant in assessing and collecting tax revenue from the various tax means available. In addition to property taxes, the District collects revenue from sales taxes, income taxes, and other forms of sales and use taxes. We anticipate that this audit may be separated into several audits based on the specific type of tax levied.

D. Other Revenue Issues

This Issue Area includes those audits within the Revenue Enhancement Theme that do not yet have sufficient common elements to warrant a unique Issue Area.

NO. 09 **Office of Property Management** **STATUS: Ongoing**

TITLE: AUDIT OF RENT COLLECTIONS

OBJECTIVES: The objectives are to determine whether: (1) tenant leases for the District are in compliance with applicable District laws, regulations, and policies and procedures; and (2) agency monitoring processes over rent collection activities are effective and efficient.

JUSTIFICATION: The Office of Property Management is the gatekeeper for all District rental properties and, in this capacity, should be collecting timely and accurate payments from tenants. If payments are not collected timely, the District will experience a loss of revenue.

NO. 10 **D.C. Lottery and Charitable Games Control Board** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE D.C. LOTTERY AND CHARITABLE GAMES CONTROL BOARD**

OBJECTIVES: Our audit objectives are to evaluate the effectiveness of the D.C. Lottery and Charitable Games Control Board's (Lottery Board) internal controls over ticket sales, agent licensing activities, collection of sales revenue from agents, monitoring of the on-line game contractor, and security operations. We will also assess whether the Lottery Board's operations are in compliance with applicable provisions of D.C. Code, §§ 2-2501 to 2-2537, Title 30 of the DCMR, and the Lottery Board's internal policies and procedures.

JUSTIFICATION: Our previous audit in 1998 revealed weaknesses and inefficiencies in the design and operation of the internal control structure of Lottery Board operations. In that report we made 29 recommendations for improving internal control deficiencies and compliance with laws and regulations. Our follow-up audit in FY 2002 showed that 7 of the 29 recommendations were not implemented. We also added an additional five recommendations concerning the recovery of monies due the District. Although the Lottery Board's response to our follow-up report indicated actions were taken or planned, we remain concerned about the Lottery Board's operations in view of repeated internal control problems and the risks associated with lottery sales. Estimated sales of instant games and on-line numbers games are \$223 million for FY 2003.

II. SPENDING AND EFFICIENT USE OF RESOURCES

Spending pressures in the last 2 years have sharpened our resolve to examine programs that present the greatest risk of monetary drain on the District's funds. As such, we have ongoing audits that address the cost of health care (Health Care Safety Net), and the efficiency of procurement activities at the Departments of Health, Consumer and Regulatory Affairs, Transportation, and Fire and Emergency Services. For fiscal year 2003, we plan to review programs related to Special Education, the University of the District of Columbia, and infrastructure issues like deferred maintenance and vehicle maintenance and acquisition. We will also concentrate on procurements of goods and services, focusing on the acquisition of computer hardware, software and services, consultant contracts, telecommunications, and procurement lead time.

A. Procurement

The District of Columbia government is one of the largest purchasers of goods and services in the metropolitan area. Its procurement policies impact every aspect of District operations. Health and safety standards, education, wages, business growth, and fiscal and monetary soundness are all affected by procurement practices. These expenditures, however, have not always provided taxpayers with the most for their tax dollars. OIG audits, external audits, and oversight hearings have revealed recurrent and pervasive areas of waste, mismanagement, cost overruns, inferior products, shoddy workmanship, and fraud.

To maintain the confidence and trust of District management, Congress and the public, the procurement process must provide for quality products and services at reasonable prices. Accordingly, the OIG has implemented an initiative to audit procurement and contract administration on a continuous basis.

NO. 11 **District Department of Transportation** **STATUS: Ongoing**

TITLE: **AUDIT OF THE DISTRICT DEPARTMENT OF
TRANSPORTATION**

OBJECTIVES: Our audit objectives are to determine whether the District Department of Transportation (DDOT) managed and used resources in an efficient, effective, and economic manner; complied with requirements of applicable laws, regulations, policies, and procedures; implemented internal controls to prevent or detect material errors and irregularities in its operations; and has taken adequate corrective action on prior internal and external audits, inspections, and reviews.

JUSTIFICATION: This audit is being performed at the request of the Deputy Mayor and the DDOT Director. DDOT is responsible for managing the District's transportation infrastructure and its maintenance. DDOT's annual budget totals over \$38 million supporting about 150 full-time employees.

NO. 12 **Multi-Agency** **STATUS: Ongoing**

TITLE: **AUDIT OF PROCUREMENT ADMINISTRATION AT FIRE
AND EMERGENCY MEDICAL SERVICES (FEMS) AND
OFFICE OF CONTRACTING AND PROCUREMENT (OCP)**

OBJECTIVES: Our audit objectives are to determine whether: (1) OCP and FEMS complied with applicable laws, regulations, policies and procedures; (2) OCP operated in an efficient, effective, and economical manner; and (3) contracts were administered or monitored adequately.

JUSTIFICATION: This audit was requested by the Executive Office of the Mayor.

Department of Human Services, Office of the Chief Technology Officer, Department of Health, and D.C. Public Schools.

NO. 15 **Multi-Agency** **STATUS: Start FY 2003**

TITLE: **AUDIT OF PRE-AWARD AND POST-AWARD CONTRACT AUDITS**

OBJECTIVES: The audit objectives are to determine whether the price and cost of contracts are being properly estimated on a pre-award basis, and whether District agencies are engaging in post-award analysis of contracts to determine whether they are paying excessive costs.

JUSTIFICATION: There have been numerous reports by the General Accounting Office, the OIG, and District senior staff citing a variety of abuses and inconsistencies in the contracting process. In addition, many of these reports have cited problems in the pre-award process for assessing the reasonableness of price and cost data. Also, adequate analyses have also not been performed to determine whether District agencies are paying more than reasonable prices for goods and services.

NO. 16 **Multi-Agency** **STATUS: Ongoing**

TITLE: **AUDIT OF PROCUREMENT ACTIVITIES**

OBJECTIVES: Our audit objectives are to determine whether OCP and other procuring agencies complied with applicable procurement laws, regulations, policies, and procedures and executed procurements in an efficient and effective manner. The audit will also assess whether agencies administered contracts properly to ensure compliance with contract terms. We plan to examine the procurement function at OCP and individual agencies to include the Department of Human Services and the Department of Consumer and Regulatory Affairs, among others.

JUSTIFICATION: The Procurement Practices Act of 1985 requires the OIG to conduct annual audits of procurement activities carried out pursuant to the Act in accordance with regulations and guidelines prescribed by the Mayor.

NO. 17 **Department of Corrections (DOC)** **STATUS: Start FY 2003**

TITLE **AUDIT OF THE DOC CORRECTIONAL TREATMENT FACILITY (CTR) CONTRACT**

OBJECTIVES: Our audit objectives are to determine whether the contract for the DOC correctional treatment facility was properly solicited and awarded in accordance with regulations. We will also determine whether the contractor is effectively operating and managing the CTR facility in accordance with contract provisions and applicable regulations.

JUSTIFICATION: In January 1997, the DOC awarded a 20-year contract for the operation and management of the CTR. The DOC compensates the contractor based on the number of inmates housed at the treatment facility. The contract allows for an annual 3-percent increase in the per diem rate that the CTR is paid for each inmate housed at the facility. The DOC's proposed budget for fiscal year 2003 was \$116 million, of which \$16 million was requested for medical services.

B. Social Service Spending

Since social service programs are designed to meet some of the most basic and vital needs of District residents, we plan to review the extent to which expenditures were made to maximize program efficiency and effectiveness for citizens.

NO. 18 **Department of Human Services** **STATUS: Ongoing**

TITLE: **AUDIT OF THE ADMINISTRATION OF FUNDS FOR THE HOMELESS SHELTER SERVICES PROGRAM**

OBJECTIVES: The audit objective is to determine whether expenditures for the Homeless Shelter Services Program are being used for their intended purposes.

JUSTIFICATION: The Homeless Shelter Services Program is administered by the Family Services Administration. Its budget is about \$11 million. At the request of the Executive Director of the Washington Legal Clinic for the Homeless, Inc., the OIG will perform an audit of the

Administration of Funds for the Homeless Shelter Services Program.

In June of 1993, the District and the U.S. Department of Housing and Urban Development (HUD) agreed to transition the District's homeless service system from a shelter-based system to a continuum of care approach. The entity designated to implement this transition was the Community Partnership. Under this agreement, both HUD and the District jointly fund the Partnership. This new structure serves as a national model for providing housing, medical, and social services to the District's homeless population.

NO. 19 **Department of Health** **STATUS: Ongoing**

TITLE: AUDIT OF THE HEALTH CARE SAFETY NET ADMINISTRATION

OBJECTIVES: The objectives of this audit are to determine whether selected services for which the District contracted for were being delivered and at a reasonable cost.

JUSTIFICATION: This audit was requested by the Chairperson for the Committee on Public Services, Council of the District of Columbia.

The Health Care Safety Net Administration is a new unit in the Department of Health that is responsible for the management and monitoring of the delivery of comprehensive community-based health care services to indigent and uninsured District residents. It provides health services previously provided through the Public Benefit Corporation.

For FY 2001, \$90 million from the rollover of the reserve fund is funding this new health care delivery system under the auspices of the Department of Health. For FY 2002, the proposed budget exceeds \$80 million, of which \$75 million is local money. Effective service delivery at appropriate cost will benefit an important sector of District residents and ensure responsible expenditure of District funds.

NO. 20 **University of the District of Columbia** **STATUS:Start FY 2003**

TITLE: **AUDIT OF MANAGEMENT OPERATIONS AT THE UNIVERSITY OF THE DISTRICT OF COLUMBIA (UDC)**

OBJECTIVES: The audit objectives are to determine whether the UDC: (1) managed and used resources in an efficient, effective, and economical manner; (2) complied with requirements of applicable laws, regulations, policies and procedures; and (3) implemented internal controls to prevent or detect material errors and irregularities.

JUSTIFICATION: The UDC is an urban, land-grant institution of higher education with an open admissions policy. It is a comprehensive public institution offering quality, affordable post-secondary education to D.C. residents at the certificate, associate, baccalaureate, and graduate levels. These programs prepare students for immediate entry into the workforce, the next level of education, specialized employment opportunities, and life-long learning.

UDC's budget for FY 2003 is estimated at \$93 million. The budget supports over 1000 full-time equivalent positions.

C. Other Spending Programs

This Issue Area includes those audits within the Spending and Efficient Use of Resources Theme that do not yet have sufficient common elements to warrant a unique Issue Area.

NO. 21 **Office of the Chief** **STATUS: Start FY 2003**
Technology Officer

TITLE: **AUDIT OF THE ADMINISTRATIVE SYSTEM MODERNIZATION PLAN (ASMP) CONTRACT**

OBJECTIVES: Our overall audit objectives are to determine if the contractors are performing or have performed the necessary tasks required by the contract to support the installation and on-going operations of the ASMP. Since ASMP will be a multi-year, multi-vendor initiative designed to implement human resources and financial systems, our specific audit objectives will determine whether contractors are

ensuring an ASMP environment that provides adequate protection of program and applications from unauthorized access, changes, destruction, or misuse.

JUSTIFICATION: This audit is being performed to assess the effectiveness of the contract for modernizing administrative and financial systems. With an estimated cost of about \$60 million, we are concerned about the efficient design of the system and whether adequate security controls are being addressed.

NO. 22 **Office of Property Management** **STATUS: Start FY 2003**

TITLE: **AUDIT OF REAL PROPERTY MAINTENANCE**

OBJECTIVES: Our audit objectives are to review the efficiency and effectiveness of District programs for maintaining and repairing real property. We will also assess the management of deferred maintenance projects (backlog of maintenance and repair), taking into account the planning, prioritization and funding needs for executing an effective real property maintenance and repair program. In addition, we will determine if internal controls are adequate to safeguard resources used in accomplishing program objectives.

JUSTIFICATION With capital outlays of \$845 million and public works expenditures of \$136 million in FY 2001, there is concern over whether these expenditures are properly classified and resources are adequately managed to accomplish efficient and effective replacement, maintenance, and repair of the District's real property assets. The cost of maintaining a healthy and vibrant city continue to escalate with aging infrastructures. The ability to meet this challenge often depends on how well a city directs scarce resources for maintaining and repairing its real property.

NO. 23 **Multi-Agency** **STATUS: Start FY 2003**

TITLE: **AUDIT OF VEHICLE MAINTENANCE IN THE DISTRICT OF COLUMBIA**

OBJECTIVES: Our audit objectives are to determine the cost effectiveness of vehicle maintenance for the entire fleet of city vehicles. Specifically, we will determine: (1) the number of vehicles

currently in the D.C. fleet; (2) the method used by each department to maintain its vehicles; and (3) the cost currently being paid for maintenance and repair. We will also evaluate the feasibility of combining vehicle maintenance and repair into one or more contracts.

JUSTIFICATION: Our previous audit of the Metropolitan Police Department vehicle maintenance program revealed problems with the administration of the vehicle maintenance contract. Added problems were the costs associated with contracted vehicle maintenance, the turn-around time for vehicle repair, and the monitoring of repairs.

NO. 24 **Office of the Chief** **STATUS: Start FY 2003**
Technology Officer

TITLE: **AUDIT OF TELECOMMUNICATION CIRCUITS**

OBJECTIVES: The objectives of the audit are to determine whether the District government is paying for telecommunications services and equipment designed to be the most effective configuration. A secondary objective will be to determine whether charges for telecommunication circuits are proper and that billing rates are fully supported by valid contracts and published tariffs.

JUSTIFICATION: Prior audits have shown that the District paid for telecommunication services and equipment where the need for the services or equipment no longer existed. Further, previous audits also indicated that the District paid erroneous telecommunication bills or for billings that were in noncompliance with existing contracts or published tariffs.

NO. 25 **Office of the Chief Financial Officer** **STATUS: Start FY 2003**

TITLE: **AUDIT OF APPROPRIATED FUNDS FOR CITIZEN PROTECTION**

OBJECTIVES: Our audit objective is to determine whether funds Congress provided to the District for homeland security were used for their intended purpose and whether internal controls are in place to provide proper accountability and control over the funds.

JUSTIFICATION: H.R. REP. NO. 107-350, “Making Appropriations for the Department of Defense for the Fiscal Year Ending September 30, 2002, and for Other Purposes” appropriated \$156 million to D.C. to purchase necessary items that would provide added security to protect its residents and visitors to the nation’s Capital. Items such as breathing apparatus, chemical and biological preparedness equipment, pharmaceuticals, emergency vehicles, and other equipment and supplies were funded in specific amounts. In addition, the Washington Metropolitan Area Transit Authority was provided about \$39 million and the Metropolitan Washington Council of Governments was given \$5 million. The District’s CFO is required to provide quarterly reports to the Senate and House Appropriations Committees beginning March 2002.

NO. 26 **D.C. Public Schools (DCPS)** **STATUS: Start FY 2003**

TITLE: **AUDIT OF DCPS NON-PERSONAL SERVICE EXPENDITURES**

OBJECTIVES: Our audit objectives are to evaluate DCPS’ non-personal service expenditures for FYs 2001 and 2002. Specifically, we will examine expenditures in such areas as legal costs, non-personal employment contracts, consultant contracts, and other goods and services purchased under contract. We will also review the adequacy of internal controls over the purchase of such services.

JUSTIFICATION: In the past two fiscal years, the DCPS has experienced spending pressures that have led to deficits. While some of these spending pressures have been attributed to events associated with Medicaid reimbursements, spending controls represent the best means available to bring spending in line with anticipated revenue. There are areas of discretionary spending that may offer the DCPS an opportunity to reduce operating costs. We will seek to identify these opportunities should they become evident in our review as we look for the most efficient and effective ways to reduce operating costs in the non-personal service area.

III. DELIVERY OF CITIZEN SERVICES

In the last few years, we have increased our audit and inspection coverage of agencies responsible for delivery of essential citizen services. In FY 2003, we plan to provide audit and inspection coverage of nearly all of the large District service organizations. The common goal of these reviews will be to improve the efficiency and effectiveness of municipal services to the District's residents.

A. Core Services

District leaders frequently have expressed concern about whether taxpayer dollars are being used optimally to serve the citizens' best interests in a number of areas. We share these concerns and have ongoing audits on housing (HOPE VI programs at D.C. Housing Authority), child support services (payment systems), community development (Department of Housing and Community Development), and mental health (St. Elizabeths Hospital). For fiscal year 2003, we plan to conduct audits of several service-based organizations, including Child and Family Services, Consumer and Regulatory Affairs, and Foster Care/Residential Youth Facilities. We also plan to evaluate the "Destiny" system for processing Department of Motor Vehicles information and will also perform another assessment of agency-wide performance measures commonly referred to as the Mayor's Scorecard.

In FY 2003, the Inspections and Evaluations Division plans to complete inspections that focus on the delivery of citizen services and the implementation of inspection recommendations to correct reported deficiencies. We have an ongoing large-scale inspection of all key administrations in the Department of Health, and we will begin new inspections of the Youth Services Administration of the Department of Human Services, and the D.C. Taxicab Commission. In addition, we will conduct a number of follow-up evaluations of previously inspected service agencies to verify their compliance with agreed-upon recommendations.

NO. 27 **Office of Corporation Council** **STATUS: Ongoing**

TITLE: AUDIT OF THE CHILD SUPPORT ENFORCEMENT SYSTEM

OBJECTIVES: The audit objective is to assess the adequacy of the District's Child Support Data System to ensure that it meets specified federal certification requirements.

JUSTIFICATION: In 1975, Congress created the Child Support Enforcement (CSE) Program by enacting Title IV-D of the Social Security Act for the purpose of establishing and enforcing the support obligations owed by noncustodial parents to their children. The Department of Health and Human Services is the federal agency that oversees the administration of CSE Programs. The federal government shares the cost of funding CSE Programs by contributing to the administrative costs and providing incentive payments.

In 1993, the federal government issued system specifications to comply with Title IV-D requirements. Many states and the District of Columbia, have failed to implement a Child Support Data System that meets established requirements. Currently, the District has been granted an extension to obtain the necessary certifications. Failure to meet these guidelines could jeopardize millions of dollars in federal grants.

NO. 28 **Department of Housing and Community Development (DHCD)** **STATUS: Ongoing**

TITLE: AUDIT OF MANAGEMENT OPERATIONS AT DHCD

OBJECTIVES: Our audit objectives are to: (1) evaluate the management of specific Community Development Corporation projects; (2) assess the benefits arising from investment in Community Development Corporation projects; and (3) assess the validity of expenditures for selected projects. Based on a request from the DHCD Director, we expanded our objectives to include evaluation of the overall project management within DHCD of grant funds provided to grant sub-recipients and the appropriate use of those funds by grant sub-recipients. Also included in our review will be an examination of the reconciliation and accounting for those grant funds within DHCD.

JUSTIFICATION: The audit was requested by the Director of DHCD. DHCD uses its funds to support programs that provide housing, neighborhood revitalization, and support services for low- and moderate-income households. Through the use of HOME grant funds obtained from the U. S. Department of Housing and Urban Development, DHCD focuses on increasing home ownership opportunities, increasing and preserving the supply of affordable housing, and revitalizing neighborhoods. The success of the program and accomplishment of these goals is largely dependent on how well DHCD managers carry out the program. We anticipate that a series of reports will be issued to cover all of the issues presented in this audit.

NO. 29 **Department of Mental Health** **STATUS: Ongoing**

TITLE: **AUDIT OF MANAGEMENT OPERATIONS AT THE DEPARTMENT OF MENTAL HEALTH (DMH)**

OBJECTIVES: The audit objectives are to determine whether DMH: (1) managed and used resources in an efficient and effective manner; (2) complied with requirements of applicable laws, regulations, policies and procedures; and (3) implemented internal controls to prevent or detect material errors and irregularities.

JUSTIFICATION: During FY 2001, the Commission on Mental Health Services transferred from receivership to District control. Thereafter, established as the DMH, it became a distinct cabinet-level agency, which reports directly to the Mayor. The Department's budget is approximately \$228 million with 2,100 employees. Officials from the Executive Office of the Mayor and the Director of DMH requested this audit.

NO. 30 **Child and Family Services Agency** **STATUS: Start FY 2003**

TITLE: **AUDIT OF MANAGEMENT OPERATIONS AT THE CHILD AND FAMILY SERVICES AGENCY (CFSA)**

OBJECTIVES: The audit objectives are to determine whether CFSA: (1) procured, managed, and used resources effectively and efficiently; (2) complied with requirements of applicable laws, regulations, policies, and procedures; and (3) had internal controls in place to prevent or detect material errors and irregularities.

JUSTIFICATION: The mission of CFSA is to support the development of healthy families, to assist families and children in need, to protect abused and neglected children, and to provide a permanent home for all wards of the District of Columbia. The FY 2003 budget for CFSA is about \$211 million. Review of the Agency will help ensure effective and efficient delivery of critical services to District families and children.

NO. 31 **Multi-Agency** **STATUS: Start FY 2003**

TITLE: **AUDIT OF PERFORMANCE MEASURES**

OBJECTIVE: Our audit objective is to verify the data supporting the reported achievements regarding performance measures. We will also determine the extent of implementation of internal controls to prevent or detect material errors and irregularities in reporting performance measures. In addition, we will follow up on previously reported audit findings in audit report number OIG No.-00-2-12MA, issued March 20, 2001.

JUSTIFICATION: The performance contracts and scorecards are at the heart of the Mayor's performance management system that requires accountability for each agency and employee in order to transform the District government into one that is responsive to its citizens. Our previous audit found a need to improve performance measurement at four of the District agencies we reviewed. We believe there is a need to continue reviewing District agency compliance and reporting of their performance measures in light of our initial results. Recent performance-based budgeting practices may have a significant impact on reporting performance measures in the District.

NO. 32 **Department of Motor Vehicles** **STATUS: Start FY 2003**
(DMV)

TITLE: **AUDIT OF THE DISTRICT'S DESTINY SYSTEM AT DMV**

OBJECTIVES: Our audit objectives are to ascertain whether the Destiny computer system is providing accurate and complete data to support DMV "one stop service" to District residents. A secondary objective is

to ensure that adequate controls have been implemented in the operations and maintenance of the system.

JUSTIFICATION: In the past year, the DMV has made major changes in information systems in an effort to streamline customer transactions and accelerate the processing of various DMV transactions. The DMV announced the implementation of the “Destiny” computer system to replace a 30-year old inefficient and antiquated system. The Destiny system is to provide DMV with the capability to access vehicle registration, vehicle inspection, driver’s license, and traffic violation information through one computer system. This capability enables the District to provide residents with “one stop service” by having customer transactions processed by one service representative.

NO. 33 **Child and Family Services Agency** **STATUS: Start FY 2003**

TITLE: **AUDIT OF FOSTER AND GROUP HOMES FOR ABUSED AND NEGLECTED CHILDREN**

OBJECTIVES Our audit objectives are to determine whether: (1) foster and group homes were properly licensed; (2) the number of foster and group homes were adequate to meet needs; (3) the agency has an effective intake and placement program, including a tracking system tailored to meet the needs of children; (4) foster and group homes (under contract) were administered and monitored adequately; and (5) foster and group homes offered adequate support services and activities.

JUSTIFICATION: The Child and Family Services Agency is spending about \$28 million annually on contracted foster and group homes for abused and neglected children. There has always been a continuing concern about the adequacy of care provided to these children, with cost, health, safety, and social well-being as some of the primary issues affecting the care and youth development of abused and neglected children. In addition, recent public outcry over the living conditions and social degradation of children living in foster and group homes in several states and specific reports of abuse of children under foster and group home care point to the need for audit coverage of the District’s foster and group homes program.

NO. 34 **District of Columbia Housing Authority (DCHA)** **STATUS: Ongoing**

TITLE: AUDIT OF HOPE VI GRANT FUNDS

OBJECTIVES: The audit objectives are to determine whether DCHA: (1) managed and used resources in an efficient, effective, and economical manner; (2) administered funds in compliance with applicable laws, regulations, policies and procedures; and (3) implemented internal controls to prevent or detect material errors and irregularities.

JUSTIFICATION: In accordance with section 24 (a) of the U.S. Housing Act of 1937, the purpose of Hope VI Revitalization grants is to assist public housing agencies to improve the living environment for public housing residents of severely distressed public housing projects through the demolition, rehabilitation, reconfiguration, or replacement of obsolete public housing projects (or portions thereof).

The U.S. Department of Housing and Urban Development administers the Hope VI Revitalization program and has awarded over \$106 million in Hope VI grant funds to the DCHA during the period 1993 to 2000 (\$82 million during the last 5 years).

Because of the large dollar amount of grant funds awarded to DCHA and its importance to the residents of the District of Columbia, the OIG will conduct an audit of DCHA's management of the Hope VI grant funds during the last 5 years.

NO. 35 **Department of Health (DOH)** **STATUS: Ongoing**

TITLE: INSPECTION OF THE DEPARTMENT OF HEALTH

OBJECTIVES: The objectives are to evaluate the sufficiency and quality of policies and procedures, the quality and efficiency of service delivery, and the sufficiency of internal controls in the Emergency Health and Medical Services Administration, Environmental Health Administration, Addiction Prevention and Recovery Administration, Health Regulation Administration, HIV/AIDS Administration, and the Office of Maternal and Child Health.

JUSTIFICATION: DOH performs a critical service delivery mission for the District and its residents. DOH's annual budget totals over \$1 billion supporting approximately 1,241 full-time employees.

NO. 36 **Department of Motor Vehicles** **STATUS: Start FY 2003**

TITLE: **RE-INSPECTION OF THE DEPARTMENT OF MOTOR VEHICLES (DMV)**

OBJECTIVES: The inspection objective is to verify implementation of inspection recommendations and actions taken by DMV in response to our prior inspection (Inspection Report, OIG NO. 00-0001KV), issued February 2000. Recommendations were made in areas such as management and supervision, customer service, and information technology.

JUSTIFICATION: The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Recommendations in each Report of Inspection focus on correcting noted deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents. Inspections have little value, however, if reported deficiencies remain uncorrected.

Our previous inspection of DMV found significant deficiencies in all inspected areas of DMV. The re-inspection will focus specifically on implementation of recommendations to correct deficiencies in management, computer systems, and staffing.

NO. 37 **Department of Motor Vehicles** **STATUS: Start FY 2003**

TITLE: **RE-INSPECTION OF THE DEPARTMENT OF MOTOR VEHICLES' INSPECTION STATION**

OBJECTIVES: The inspection objective is to verify implementation of recommendations and actions taken by DMV in response to our prior inspection (Inspection Report No. OIG No. 00-0003KV), issued August 2000. Recommendations were made in the areas such as operations and customer service, personnel management, adherence to federal regulatory requirements, and training and equipment.

JUSTIFICATION: The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Recommendations in each Report of Inspection focus on correcting noted deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents. Inspections have little value, however, if reported deficiencies remain uncorrected.

In the initial inspection of the DMV Inspection Station, the OIG team found that while the station had significantly reduced operational deficiencies in some important areas, similar improvements were required in others. The re-inspection will focus specifically on implementation of recommendations to ensure compliance with regulatory guidance and actions taken to decrease customer wait time, which was, and still is the most publicized complaint about the station from District citizens.

NO. 38 **Medical Assistance Administration, STATUS: Start FY 2003
Department of Health**

TITLE: **RE-INSPECTION OF THE DEPARTMENT OF HEALTH
MEDICAL ASSISTANCE ADMINISTRATION (MAA).**

OBJECTIVES: The inspection objective is to verify implementation of inspection recommendations and actions taken by MAA in response to our prior inspection (Inspection Report, OIG No. 00-0002HC), issued July 2000. Recommendations were made in areas such as directorate operations, the Surveillance and Utilization Review Unit, the Office of Program Operations, and the Medical Pharmacy Unit.

JUSTIFICATION: The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Recommendations in each Report of Inspection focus on correcting noted deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents. Inspections have little value, however, if reported deficiencies remain uncorrected.

In our initial inspection of MAA, the OIG found significant deficiencies in all inspected areas of MAA, particularly the failure

to recover millions of dollars of erroneous Medicaid payments to providers. The re-inspection will focus specifically on any improvements in procedures for collecting overpayments, outdated and deficient computer systems, and inadequate staffing in the Surveillance and Utilization Unit.

NO. 39 **Department of Parks and Recreation (DPR)** **STATUS: Start FY 2003**

TITLE: **RE-INSPECTION OF THE DEPARTMENT OF PARKS AND RECREATION**

OBJECTIVES: The inspection objective is to verify implementation of inspection recommendations and actions taken by DPR in response to our prior inspection (Inspection Report, OIG No. 01-0002HA), issued September 2001. Recommendations were made in areas such as maintenance, capital projects, procurement, contracting and property accountability, and childcare services.

JUSTIFICATION: The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Recommendations in each Report of Inspection focus on correcting noted deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents. Inspections have little value, however, if reported deficiencies remain uncorrected.

Our original inspection of DPR found significant problems in maintenance operations, capital projects, childcare services, and other areas. Among other areas, the re-inspection will look for compliance with recommendations covering maintenance planning documents, better budgeting, and with local and national safety standards for childcare facilities.

NO. 40 **Department of Public Works** **STATUS: Start FY 2003**

AGENCY: **RE-INSPECTION OF THE DEPARTMENT OF PUBLIC WORKS, SOLID WASTE MANAGEMENT ADMINISTRATION**

OBJECTIVES: The inspection objective is to verify implementation of inspection recommendations and actions taken by DPW in response to our prior inspection (Inspection Report, OIG No. 00-0003KA), issued December 2000. Recommendations were made in areas in the Solid Waste Disposal Division, the Solid Waste Collection Division, the Street and Alley Cleaning Division, and the Solid Waste Education and Enforcement Program.

JUSTIFICATION: The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Recommendations in each Report of Inspection focus on correcting noted deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents. Inspections have little value, however, if reported deficiencies remain uncorrected.

The inspection of the Department of Public Works Solid Waste Administration found numerous violations related to trash processing and work health and safety. The re-inspection will focus on agency compliance with recommendations regarding vehicle reliability, rodent infestation, security procedures, and worker training.

NO. 41 **Department of Public Works** **STATUS: Start FY 2003**

TITLE: **RE-INSPECTION OF THE DEPARTMENT OF PUBLIC WORKS, FLEET MANAGEMENT ADMINISTRATION**

OBJECTIVES: The inspection objective is to verify implementation of inspection recommendations and actions taken by DPW in response to our prior inspection (Inspection Report, OIG No. 01-0001KA), issued March 2001. Recommendations were made in areas in the Maintenance Services Division, the Vehicle Acquisition and Disposal Division, the Fuel and Lube Services Division, and the Office of the Administrator.

JUSTIFICATION: The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Recommendations in each Report of Inspection focus on correcting noted deficiencies, monetary benefits, more efficient and effective program operations, and safer environments for city workers and residents. Inspections have little value, however, if reported deficiencies remain uncorrected.

The initial inspection of the Department of Public Works Fleet Management Administration also found violations of local and federal health and safety regulations, as well as monetary waste in vehicle disposal practices, and lack of preventative maintenance enforcement. Our re-inspection will focus on elimination of all safety and health issues, improvement in the vehicle auction process, and enforcement of preventive maintenance procedures.

NO. 42 **Youth Services Administration STATUS: Start FY 2003**
(YSA), Department of Human Services

TITLE: **INSPECTION OF THE DEPARTMENT OF HUMAN SERVICES, YOUTH SERVICES ADMINISTRATION**

OBJECTIVES: The inspection objectives are to evaluate the sufficiency and quality of YSA policies and procedures, assess the operational effectiveness of key programs, such as the Youth Shelter Program, evaluate the quality of service delivery, and determine the sufficiency of internal controls.

JUSTIFICATION: YSA develops and administers a citywide system of service for delinquency prevention and control that contributes to the protection of the community and the rehabilitation of youth.

Additionally, our inspections are consistent with the Mayor's initiative to review, evaluate, and improve performance standards in all components of the District of Columbia government. The Inspections and Evaluations Division is dedicated to providing decision makers with objective, thorough, and timely evaluations of District agencies and programs, and to making recommendations that will assist those agencies in achieving operational efficiency, effectiveness and economy.

NO. 43 **Taxicab Commission,** **STATUS: Start FY 2003**
Department of Human Services

TITLE: **INSPECTION OF THE TAXICAB COMMISSION,**
DEPARTMENT OF HUMAN SERVICES

OBJECTIVES: The inspection objectives are to evaluate the sufficiency and quality of policies and procedures, evaluate the quality of service delivery, and determine the sufficiency of internal controls in the License and Permit Division.

JUSTIFICATION: The Taxicab Commission achieves its mission through the regulation, oversight, and enforcement of the public vehicle-for-hire industry, which includes taxicabs as well as limousines, sightseeing vehicles, and private ambulances.

Additionally, our inspections are consistent with the Mayor's initiative to review, evaluate, and improve performance standards in all components of the District of Columbia government. The Inspections and Evaluations Division is dedicated to providing decision makers with objective, thorough, and timely evaluations of District agencies and programs, and to making recommendations that will assist those agencies in achieving operational efficiency, effectiveness and economy.

IV. SUPPORT SERVICES

A. Information Systems

With few exceptions, nearly all information concerning District operations are entered into computers and managed by the attendant software programs. Large centers for processing information present an operational challenge in terms of service delivery, cost, and oversight. We plan to continue our review of the SHARE data center and will evaluate several automated systems, looking at application controls, computer security, system design, and cost.

NO. 44 **Office of the Chief Technology Officer (OCTO)** **STATUS: Ongoing**

TITLE: AUDIT OF INFORMATION TECHNOLOGY AT THE SHARE DATA CENTER

OBJECTIVES: The objectives of the audit are to determine whether: (1) the data center environment provides adequate protection so that data (both programs and applications) are properly protected from unauthorized access, change, destruction, or misuse and that changes to data are properly controlled; (2) the data center properly performs those tasks which it has been directed to perform and does so in an effective and efficient manner; and (3) the data center exercises management controls designed to provide proper segregation of duties.

JUSTIFICATION: The SHARE Data Center houses the mainframe-computing systems used for payroll and direct deposits, tax processing, benefits processing, health care provider payments, student stipends, and numerous other applications. The SHARE Data Center operates under OCTO and is one of seven control centers that serve as the major components of OCTO's budget.

Data centers and end users must assure that proper security is in place and configuration change is properly managed at all locations where programs are housed (mainframe, mid-range, server, personal computer). Otherwise, once in production, there

would be no integrity (assurance that the program procedures are still correct).

NO. 45 **D.C. Public Schools (DCPS)** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE D.C. PUBLIC SCHOOLS' PERSONNEL AND PAYROLL SYSTEM**

OBJECTIVES: Our audit objectives will be to determine whether DCPS, in the acquisition and implementation of a new personnel and payroll system called PeopleSoft, is using a System Development Life Cycle/Project Management Framework that includes:

- adequate pre-acquisition planning;
- formulation of a master project plan,
- aggressive tracking and approval of project deliverables;
- testing;
- project closeout and approval;
- post implementation quality assurance; and
- training.

JUSTIFICATION: When the conversion to the CAPPs personnel and payroll system failed, many agencies reverted to the old UPPS system. The DCPS chose not to revert to UPPS, and sought to acquire a new system called PeopleSoft. As of August 2002, none of the six modules in the PeopleSoft system are operational and full operational capability is not envisioned until April 2003. We have two concerns that warrant audit attention. The first issue addresses the effectiveness of the PeopleSoft system to provide DCPS with a working personnel and payroll system. The second concern involves the PeopleSoft procurement, and whether the acquisition was reasonably priced to provide the most efficient use of scarce DCPS resources.

B. Human Capital

People are the District's most important assets. This Issue Area encompasses personnel issues, benefits, hiring practices, and personnel and payroll systems.

NO. 46 **Multi-Agency** **STATUS: Start FY 2003**

TITLE: **AUDIT OF HIRING PRACTICES AND BACKGROUND CHECKS**

OBJECTIVES: The objectives are to determine whether controls are in place to ensure that qualified applicants are selected for critical positions, and that adequate policies and procedures regarding hiring practices are in place and working as designed.

JUSTIFICATION: District agencies should hire personnel based on their qualifications to perform specific position descriptions. An audit to test whether critical positions are filled by qualified personnel should inform District officials that personnel hiring practices are working well or that they are a cause of poor agency performance.

NO. 47 **D.C. Retirement Board** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE MANAGEMENT OF D.C. TEACHERS, POLICE, AND FIREFIGHTER RETIREMENT PROGRAMS**

OBJECTIVES: Our audit objectives are to determine whether the D.C. Retirement Board (Board) has adequate controls, policies and procedures in place to determine that retirement contributions from teachers, police officers, and firefighters are handled in accordance with applicable laws and regulations and whether investment policies appear sound and reasonable.

JUSTIFICATION: The D.C. Retirement Board has the responsibility for setting overall policy to manage teacher, police, and firefighter retirement systems. The Board is responsible for beneficiary payments and oversight of the investment of retirement fund assets. The Board administers two retirement funds, one for the teachers and another for the police and firefighters. As of September 30, 2001, the teachers' retirement fund had pooled investments of over \$825 million with net assets held in trust totaling over \$778 million. Similarly, the police and firefighters retirement fund had pooled investments of over \$1.1 billion and net assets held in trust of about \$1 billion.

Recent economic events have had a downward effect on investments worldwide. According to Board financial statements

for FY 2001, the fair value of investments in the teachers' retirement fund fell nearly \$130 million. Similar depreciation in fair value was experienced by the police and firefighters' fund which fell by about \$182 million.

V. AUDITS REQUIRED BY LAW

Various laws require the OIG to perform specific annual audits, some of which must be performed only by contracts with Certified Public Accounting firms. Largest among the required audits is the Comprehensive Annual Financial Report. The OIG contracts for, monitors, and provides oversight of the performance of that audit, which is conducted by a private Certified Public Accounting firm licensed in the District. In addition, the District's annual appropriation often includes language that requires the OIG to conduct one-time audits.

A. Financial Integrity

The fiscal health of the city is directly linked to the integrity of its financial books and records. This Issue Area has come under greater scrutiny because of the reporting lapses of various business institutions. In addition to providing oversight of the Comprehensive Annual Financial Report, we plan to conduct audits regarding several funds, which are required by District and federal laws.

NO. 48 **Multi-Agency** **STATUS: Ongoing**

TITLE: **AUDIT OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FY 2002**

OBJECTIVES: The objective of this engagement is to secure services of an independent audit firm to perform the annual audit of the District government.

JUSTIFICATION: The Comprehensive Annual Financial Report (CAFR) must be submitted to the Mayor and the Council of the District of Columbia on or before February 1st of each year following the end of the fiscal year being audited. Immediate and continued access to records and personnel by the audit firm is required to provide audit and other professional assistance to avoid disruption of the District's financial operations. In addition to the District's General Fund, the following District agencies or entities (component units) are required to be included in the CAFR audit:

- D.C. Public Schools (CAFR and CAFR Preparation);
- D.C. Health and Hospitals Public Benefit Corporation (Financial Statements, Review of Blue Cross/Blue Shield Cost Rates);
- D.C. Water and Sewer Authority (Financial Statements);*
- D.C. Sports Complex (Financial Statements);
- D.C. Lottery Board (Financial Statements);
- Department of Employment Services (Unemployment Compensation Fund – Financial Statements);
- Department of Employment Services (Disability Compensation Fund – Actuarial Study);
- Washington Convention Center Authority (Financial Statements);
- University of the District of Columbia/D.C. Law School (Financial Statements);
- D.C. Retirement Board (Financial Statements and Actuarial Study); *
- D.C. Housing Finance Agency (Financial Statements);* and
- D.C. Financial Responsibility and Management Assistance Authority (Financial Statements).

* These agencies and entities will arrange to secure their own audit firms to perform required services.

NO. 49 **Department of Housing and Community Development** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE HOME PURCHASE ASSISTANCE FUND**

OBJECTIVES: The objectives of this financial statement audit are to determine whether monies in the Home Purchase Assistance Fund have been accounted for properly and whether persons obtaining loans under this program meet the qualifications under existing policies and procedures.

JUSTIFICATION: D.C. Code § 42-2605 (2001) requires the D.C. Inspector General to conduct an annual audit of this fund. The Mayor is required to report on the financial condition of this program to Congress and the Council within 6 months after the end of the preceding fiscal year.

NO. 50 **Department of Consumer and Regulatory Affairs** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE PROFESSIONAL ENGINEERING FUND**

OBJECTIVES: The overall audit objectives are to determine whether or not: 1) the Professional Engineers' Fund was being maintained in accordance with the D.C. Code; and 2) engineer fees were properly accounted for and expended during the second half of FY 2001 and FY 2002.

JUSTIFICATION: This audit is required pursuant to D.C. Code §§ 47-2886.02(6) and 47-2886.13(d) (2001). Section 47-2886.13(d) states, in pertinent part: "[i]t shall be the duty of the Office of the Inspector General of the District of Columbia to audit annually the accounts of the Board and to make a report thereof to the Mayor." Section 47.2886.02(6) defines "Board" as the District of Columbia Board of Registration for Professional Engineers.

NO. 51 **Office of Corporation Counsel** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE DISTRICT OF COLUMBIA ANTIFRAUD FUND**

OBJECTIVES: Our audit objectives are to determine whether the District properly accounted for payments due the Fund and deposited monies received on a timely basis for Fund activity in FY 2002.

JUSTIFICATION: The Procurement Reform Act of 1998, as codified at D.C. Code § 2-308.20 (2001), requires the Office of the Inspector General to audit the Fund annually. The Fund is comprised of deposits resulting from criminal fines, civil penalties, and damages collected from false claim recoveries.

NO. 52 **Non Profit/Non Government** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE WASHINGTON INTERFAITH NETWORK**

OBJECTIVES: The objective is to certify costs and matching funds in accordance with Pub. L. No. 106-522.

JUSTIFICATION: Pub. L. No. 106-522 provides for a federal payment to the Washington Interfaith Network in the amount of \$1 million to reimburse the Network for costs incurred in carrying out preconstruction activities at the former Fort Dupont Dwellings and Additions. However, this Law also provides that the Inspector General of the District of Columbia shall certify costs and matching funds prior to reimbursement. The full text of the Law pertaining to this certification and reimbursement is provided under the heading "Federal Payment for Washington Interfaith Network." *See* Pub. L. No. 106-522, 114 Stat. 2440, 2444 (2000).

NO. 53 **Department of Public Works** **STATUS: Start FY 2003**

TITLE: **AUDIT OF THE DISTRICT OF COLUMBIA HIGHWAY TRUST FUND**

OBJECTIVES: The objectives are to perform an audit for the purpose of expressing an opinion on the financial statements of the District of Columbia Highway Trust Fund (Fund) for the fiscal year ended September 30, 2002, and to perform an examination of the forecasted statements of the Fund's expected conditions and operations for the next 5 years.

JUSTIFICATION: Section 135 of the FY 2001 D.C. Appropriations Act amends Pub. L. No. 104-21, the District of Columbia Emergency Highway Relief Act, which now requires the D.C. Inspector General to submit a report on the results of its audit of the financial statements of the Fund. The report is due to Congress on February 1st of each year for the preceding fiscal year.
