GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

DISTRICT OF COLUMBIA

MEMORANDUM OF ADVISORY COMMENTS FISCAL YEAR 2006

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 07-1-20MA **May 1, 2007**

Inspector General

May 1, 2007

The Honorable Adrian M. Fenty
Mayor
District of Columbia
Mayor's Correspondence Unit, Suite 316
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

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

Natwar M. Gandhi, PhD.
Chief Financial Officer
Office of the Chief Financial Officer
John A. Wilson Building, Suite 203
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Fenty, Chairman Gray, and Dr. Gandhi:

In connection with the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2006, BDO Seidman, LLP submitted the enclosed final Memorandum of Advisory Comments, in previous years known as the Management Letter. This Memorandum of Advisory Comments details certain operational matters that require continued management attention. In this regard, BDO Seidman, LLP set forth recommendations for correcting those matters. In most cases, management responded favorably to the recommendations contained in the report and, in many cases, corrective action has already been taken to remedy the issues.

As always, we ask that agency managers follow-up on reported deficiencies and implement corrective actions to address all recommendations in a timely manner; especially in light of recent changes to the accounting standards. Prompt actions to reported findings should help to prevent a potential negative impact on future opinions.

While the Office of the Inspector General will continue to assess the District's implementation of recommendations, it is the responsibility of District government management to ensure that agencies correct the deficiencies noted in audit reports. This Office will work with managers, as appropriate, to help them monitor the implementation of recommendations.

If you have questions or desire a meeting prior to providing an updated response, please have a member of your staff contact William J. DiVello, Assistant Inspector General for Audits, or me at (202) 727-2540.

Sincerely,

Charles J. Willoughby
Inspector General

CJW/ws

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Government of the District of Columbia

Memorandum of Advisory Comments

Year Ended September 30, 2006

Government of the District of Columbia

Contents

BDO

BDO Seidman, LLP
Accountants and Consultants

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January 26, 2007

To the Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

During the course of our audit of the financial statements of the **Government of the District of Columbia** (the District) for the year ended September 30, 2006, we observed the District's significant accounting policies and procedures and certain business, financial, and administrative practices.

In planning and performing our audit of the financial statements of the District, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. As a result of our observations, we suggest you consider the comments contained in this document.

This report does not extend to the following entities or funds as their financial statements were audited separately:

- District of Columbia 529 College Savings Program
- District of Columbia Housing Finance Agency
- District of Columbia Police Officers and Firefighters' Retirement Fund
- District of Columbia Teachers' Retirement Fund
- District of Columbia Tobacco Settlement Financing Corporation
- District of Columbia Nursing Homes
- District of Columbia Water and Sewer Authority

The following entities or funds each receive separate reports; therefore, observations involving these entities or funds are also not included in this document.

- District of Columbia Public Schools
- University of the District of Columbia
- Home Purchase Assistance Program

We also refer the Mayor, Council, and Inspector General to the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This report, dated January 26, 2007, describes in greater detail the following material weakness, reportable condition, and material noncompliance with laws and regulations as noted for the year ended September 30, 2006:

Material Weakness
- District of Columbia Public Schools

Reportable Condition
- Management of the Medicaid Program

Material Noncompliance with Laws and Regulations
- Noncompliance with Procurement Regulations
- Noncompliance with the Quick Payment Act

BDO Seidman, LLP
Accountants and Consultants

This report is intended solely for the information and use of the Mayor, the Council, the Inspector General of the District, District management, and others within the District government and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BDO Seidman, LLP

BDO SEIDMAN, LLP

City Wide Observations

Process: Medicaid

Maintenance of Supporting Documents

The Income Maintenance Administration (IMA) could not provide one (1) out of one-hundred and thirty-two (132) case files requested during the audit process. The District is required to maintain source documentation to support the eligibility of Medicaid clients. One of the primary methods to support the eligibility criteria is maintenance of case files. Not having the required supporting documentation can increase the possibility of disallowance of these expenditures under the program.

Further, IMA could not provide current supporting documentation for Medicaid benefits paid to one (1) of the Medicaid recipients selected for testing.

IMA should ensure that all Medicaid recipient information is properly documented, maintained, and available for review by the Federal grantor, independent auditors, and management in order to avoid possible disallowance of expenditures.

Management's Response:
We have hired additional support staff to maintain our case files and to decrease the instance of missing files. Additionally, support staff will conduct periodic inventories of all case files. Staff will also be retrained regarding the importance of safeguarding and properly filing information that supports eligibility terminations.

Provider Eligibility at the Medical Assistance Administration Program Operations (MAAPO)

One (1) of forty-five (45) sampled new providers was activated in the Medicaid Management Information System (MMIS) without the required review and authorization of the MAAPO Chief.

MAAPO reviews provider enrollment applications for completeness, accuracy, and compliance with Department of Health (DOH) requirements and the MAAPO Chief approves, as appropriate, or requests any clarification or corrections needed from the applicant. The MAAPO Chief signs a form to approve each application and the signed forms are sent via courier to Affiliated Computer Services (ACS), MMIS' third party administrator, whereupon the provider is activated as an eligible provider in MMIS.

ACS erroneously activated the new provider because the provider enrollment protocol was not followed by ACS. As a result, the Medical Assistance Administration (MAA) can be remitting Medicaid funds to ineligible providers. We recommend that MAAPO institute a policy that ensures only approved providers are being activated in MMIS. One such policy could be to review a monthly listing of all new providers added to MMIS.

Management's Response:
MAA reviewed and approved the provider application identified in the audit, and it appears the signature of the Chief of Program Operations was not obtained. As a result, the fiscal agent (ACS) did not follow the provider enrollment protocol. The MAA Office Program Operations has discussed this issue with ACS and reinforced the provider enrollment protocol regarding signatures required on the provider application. The MAA Office Program Operations will develop a policy that requires ACS to verify approval signatures on the provider application before entering the provider into MMIS. In addition, MAA will ensure the fiscal agent (ACS) generates a monthly listing of all new providers added to MMIS.

* * * *

Process: Payroll Related Disbursements

Authorization of Overtime Hours

Our review of overtime hours, which had been approved for payment, revealed the following deficiencies in three (3) out of a sample of five (5) agencies selected for testing:

- An overtime authorization form approved 7 hours for an individual employee during the selected pay period; however, the Office of Property Management had submitted 8 hours for payment.
- The Department of Mental Health overpaid one employee 8 hours in overtime. The employee was paid 8 hours as regular pay along with the 8 hours of overtime; however, the employee had only worked the regular 8 hours. We also noted that there was one (1) instance in which an overtime authorization form was not approved by the Associate Director of Finance and Administration prior to payment.
- Fire and Emergency Medical Services was unable to validate hours paid out to six (6) out of the eight (8) employees selected for testing. Specifically, we noted that the overtime hours paid did not agree with the total hours indicated on the authorization form(s). There was also one (1) instance in which the overtime authorization form was not signed by the authorized personnel and the justification for overtime was not provided.

We identified these discrepancies from a sample of transactions that were selected for testing. Management should recognize that the potential exists for additional discrepancies. We recommend that management reevaluate the overtime process and design stronger controls over authorization, documentation, and approval. We also recommend that the agencies perform spot checks during the year to ensure that all approvals are in place along with the appropriate documentation.

Management's Response:
With respect to the findings at Office of Property Management and Department of Mental Health (DMH), management concurs. DMH has formally requested reimbursement from the employee for the overpayment noted above.

With respect to Fire and Emergency Medical Services (FEMS) Department, the audit comments and recommendation are correct. Prior to January 1, 2007, the OCFO Public Safety and Justice Cluster (PSJC) payroll employees did not review the time and attendance for FEMS program employees. The review was only done at FEMS. With the implementation of Peoplesoft Time and Attendance module for Pay Group One, the PSJC payroll employees review the time sheets for adequate supporting documentation and program senior management approval for all overtime processed.

Payment of Overtime Hours to Ineligible Personnel

According to the District's Personnel Manual Issuance System (DPM Instruction No. 11B-52), the following employees are ineligible to receive overtime or compensatory time:

- Non-union career service employees at the DS-15 level or above , or equivalent;
- Non-union legal service employment, including senior executive attorney service (SEAS) employees, all grade levels;
- All excepted services employees, all grade levels;
- All management supervisory service employees, all grade levels; and
- All executive service employees.

Process: Payroll Related Disbursements

Payment of Overtime Hours to Ineligible Personnel – (continued)

During our audit process, we noted that the District paid overtime to twelve (12) unqualified employees. These employees belonged to the Management Supervisory Services group and were from the following agencies:

- One (1) employee from the Department of Property Management;
- Two (2) employees from the Office of the Chief Financial Officer;
- One (1) employee from the D.C. Office of Personnel;
- One (1) employee from the Department of Consumer and Regulatory Administration;
- Three (3) employees from the Emergency Management Agency; and
- Four (4) employees from the Metropolitan Police Department.

We recommend that the District establish adequate internal controls and policies and procedures to ensure that only eligible employees receive overtime pay or compensatory time. Additionally, the District may consider implementing a process in the database system where employees that improperly receive overtime pay or compensatory time are highlighted or flagged.

Management's Response:
The District of Columbia Department of Human Resources (DCHR) will ensure that agency heads understand the overtime rules and will ensure that all agencies comply with the District Personnel Manual (DPM) regulations regarding overtime. DCHR will work with the Office of the Chief Financial Officer to establish internal controls that would highlight or flag employees who have been improperly paid overtime or compensatory time. DCHR is in receipt of the names of the twelve (12) persons from various agencies who have been improperly paid overtime and/or compensatory time and will notify each agency head to conduct an investigation into the circumstances where overtime and/or compensatory time have been improperly authorized or issued. In those circumstances where the employee has been improperly paid overtime and/or compensatory time, DCHR will ask each agency to take steps to correct the situations and where appropriate seek repayment or waiver of repayment.

DCHR Office of Compensation, Benefits, and Classification will, where necessary, issue clarifying rules that will assist agencies in properly applying the DPM regulations.

Payment of Bonuses

During our audit of bonuses paid to District employees, we noted that although the amounts were paid to eligible employees, there were four (4) out of thirty (30) instances at the Office of the Chief Financial Officer (OCFO) whereby employees were overpaid. The overpayments were primarily due to the base pay used by the OCFO's personnel office differing from the pay reflected in the Unified Personnel Payroll System (UPPS) at the end of the fiscal year. We recommend that there be closer coordination between the Office of Pay and Retirement Systems and the OCFO's personnel office to ensure that the base pay used in the bonus calculations properly reflects compensation earned by employees at the end of the fiscal year.

Management's Response:
Management concurs with the finding and recommendation.

* * * *

Process: Disbursements (Other than Payroll)

Direct Voucher Payments

As part of the audit, we selected seventy-seven (77) transactions and performed tests to determine whether expenditures were obligated before being vouchered and paid. Based on results of our testwork, we noted that:

- District personnel could not provide documentation for three (3) items selected.
- From the items received, we noted nineteen (19) transactions were improperly processed as a direct voucher.

The decision to process transactions through direct vouchers is largely due to the fact that some agencies experienced problems entering transactions in the Procurement Automated Support System (PASS), the District's procurement application. We identified these discrepancies from a sample of transactions that were selected for testing. Management should recognize that the potential exists for additional discrepancies.

We recommend that District agencies reinforce their policies and procedures to ensure that all expenditures are obligated before paid. In addition, the District should ensure that employees assigned to the accounts payable functions are adequately trained in identifying and processing direct voucher payments.

Management's Response:
Supporting documents were available at the time of audit for the three (3) vouchers that are cited in the audit finding, but a request for them was not made to the right employee of the agencies.

Financial Management and Control Order No. 05-002 requires all expenditures to be first obligated in the District's System of Accounting and Reporting (SOAR) before being vouchered and paid, except twenty-eight listed items whose payees cannot be determined in advance or because their nature does not lend themselves to prior obligation. This Order also authorizes the Deputy CFO for the Office of Financial Operations and Systems to approve the use of miscellaneous vouchers (direct vouchers) for other purposes upon making the determination that the transaction is not subject to District's procurement rules and regulations and that an alternative means of processing the transaction is not available and that such voucher processing is not in violation of applicable law. Of the nineteen (19) vouchers improperly processed as referenced above, eight (8) were processed according to one or more criteria listed in the Order, while eleven (11) were processed according to guidelines established by the Deputy CFO. Under the Deputy CFO guidelines, the vouchers were categorized as follows:

- Contract in place: when a valid contract advisement or purchase order was established but the expenditures could not be accrued because of system problems or other reasons;
- Accrued liability payments: when a valid purchase order on a contract was closed in error and the liability was accrued to be paid in subsequent fiscal year; or
- Purchase order closed in error: when a valid purchase order was closed in error and the goods or services subsequently received.

Based on the nature of the payments, the nineteen (19) items cited in the audit finding were properly processed as direct vouchers in accordance with the guidelines.

* * * *

Process: Cash and Investments

Noncompliance with Financial Institutions Deposit and Investment Amendment Act

(A) For general deposit and investment requirements, the Act, among other requirements, dictates the following:

> The Mayor, or the CFO pursuant to Section 47-351.2(c), shall not allow the amount of District funds deposited or placed for the provision of financial services in a single eligible financial institution to exceed the lesser of either:
>
> a) Twenty-five (25) percent of the total assets of the eligible financial institution, exclusive of the District funds; or
>
> b) Twenty-five (25) percent of the total District funds available for deposit or investment as of the date of such deposit or placement and as of the end of each fiscal quarter thereafter.

Our compliance testwork revealed six (6) instances of non-compliance with the aforementioned provision where deposits held by a single institution exceeded 25% of all District deposits. These violations occurred primarily during the first quarter of the fiscal year. We recommend that the Office of Finance and Treasury (OFT) closely monitor the District's deposit percentages with all financial institutions, to ensure compliance with these requirements.

(B) For collateral requirements, the Act, among other requirements, dictates the following:

> Except for securities directly purchased without a repurchase agreement and money market funds, an eligible financial institution must at all times provide collateral equal to at least 102% of the District funds held by the eligible financial institution for deposits and investments that are not fully federally insured.

During our procedures, we noted one (1) instance of non-compliance with the aforementioned provision, where the collateral held by the District's investment custodians was less than 102% of the value of the particular investment. We recommend that OFT closely monitor the collateral held by the custodians, to ensure that the District remains in compliance with the requirements of this law.

Management's Response:
A procedure has been established and is being followed daily to ensure that the District meets its 25% limitation requirement. The District was in compliance for the period January 2006 through September 2006.

The District's investment custodian notified the District that Provident Bank's investment had dropped below 102%. The District notified Provident Bank that we needed additional collateral which was provided on November 3rd.

Stale Dated Checks

During our testing of Bank Account ID (BID) 121, we noted the inclusion of stale dated checks amounting to approximately $2.6 million which were issued during the period January 1, 2006 through March 31, 2006. Since stale dated checks are not purged in a timely manner, the cash balance may be understated.

Process: Cash and Investments

Stale Dated Checks – (continued)

We identified these stale dated checks from a sample of bank accounts selected for testing. Management should recognize that the potential exists for additional stale dated checks not being addressed in a timely manner.

Per discussion with management, the Account Reconciliation Program function of the check writing system has been turned off. As a result, the District is manually performing an off-line reconciliation to arrive at the outstanding checks amount. We understand that the District is in the process of fully automating the reconciliation process; we recommend that the District increase its efforts to ensure that the system is fully operational in the near future.

Management's Response:
The District is actively pursuing enhancements to our current processes to ensure stale checks are properly identified and recorded. Currently, the District has policies and procedures for handling certain types of stale checks. As our enhancements are implemented, we will update our policies and procedures.

* * * *

Process: Budget and Planning

Capital Budget

Our review of the capital budget process identified the following items where management should consider developing policies and procedures for better coordination, communication, and internal controls. We identified these transactions from a sample of projects selected for testing. Management should recognize that the potential exists for additional discrepancies. While management has begun to address these issues, we continue to recommend that OBP-Capital focus on getting these items resolved and processed effectively and efficiently.

- We selected twenty-five (25) projects and noted that for one (1) project, OBP-Capital had not provided the supporting documents for a reprogramming change to the reprogramming coordinator. As a result, this particular reprogramming was excluded from the overall reprogramming population at year-end.

  Management's Response:
  OBP-capital will continue to work closely with the reprogramming coordinator to ensure all documentation is provided and that reprogramming logs are consistent within OBP.

- From our sample of twenty-five (25) projects, we noted that fourteen (14) projects had a series of technical corrections. These entries were to correct past data input errors and were processed in an effort to match remaining project budgets with data reported in SOAR. We further noted that of these fourteen (14) projects, there were four (4) projects where the remaining budget still did not correlate with data reported in SOAR.

  Management's Response:
  OBP has been reconciling budgets in SOAR to actual appropriated levels, and correcting SOAR where necessary so that it matches actual appropriated levels. At times, we have used the occasion of a reprogramming to make these corrections. We want to ensure, for example, that a reprogramming does not move budget away from a project where that budget should not actually exist. Our medium-term goal is that budgets in SOAR correctly reflect actual appropriated levels.

- We noted that OBP-Capital does not currently maintain a policies and procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised procedures manual can also help to ensure that all similar transactions are treated consistently and that records are produced in the form desired by management. Further, a good procedures manual can also aid in the training of new employees and possibly allow for delegation to other employees. As part of these new policies and as is currently being done for local funds and other funds, we also recommend that OPB-Capital consider the preparation of a roll-forward schedule for capital projects.

  Management's Response:
  We agree, and we are developing such a manual. OBP has created a "start-to-finish" file to track budget changes in SOAR and trace approved budget changes (e.g. reprogrammings) to SOAR. This file is similar to what OBP uses for local funds and other funds. Since all capital budget rolls forward from year to year, it is not necessary to specifically break out a portion of authority that rolls forward.

Process: Budget and Planning

Capital Budget – (continued)

- It is also noted that the Capital Improvement Program has been in a deficit position for several years. A major cause of the deficit was the practice of awarding more budget allotments (or incurring more expenditures) than the District was able to finance.

  This deficit in the Capital Program also has implications for the District, as a whole. The General Fund has been subsidizing this deficit, and will eventually, start to run low on funds.

  Management's Response:
  While the fiscal year 2006 CAFR shows an accumulated surplus, and not a deficit, in the capital fund, the deficit is not entirely corrected—two large borrowings during fiscal year 2006 more than offset a continuing underlying deficit.

  Note that we first publicly discussed the deficit and our steps to resolve it in Council hearings two years ago (February 2005), and last year we described in detail what led to the deficit (special study chapter published with the Mayor's fiscal year 2007 budget, March 2006). In addition, the deficit reduction plan was approved by the then-City Administrator and discussed with the current City Administrator, the Council, and the bond rating agencies.

  The plan has several elements, some of which have already been put into place. First, the District budgeted and spent $53.8 million of "PAYGONE" in fiscal year 2006 specifically to reduce the deficit. Second, in the past two capital budget cycles (fiscal year 2006 and fiscal year 2007) we have reversed past practice by financing a combined total of $254.7 million more than new budget allotments awarded. Third, we will borrow $50 million per year above new capital needs for at least 4 years (fiscal year 2007 through fiscal year 2010); this excess borrowing will also finance past spending or past unfinanced allotments. All borrowing is for CIP-eligible projects, and we ensure that we do not borrow for old projects whose prior expenditures are not eligible for reimbursement.

  OBP continues to monitor current year spending and to enforce parameters on future capital budgeting to ensure the elimination of the underlying deficit.

Reconciliation of Grant Modifications

We noted numerous differences between the actual modifications processed and what was eventually entered into SOAR. We identified these discrepancies from a sample of transactions selected for testing. Management should recognize that the potential exists for additional discrepancies.

- Modifications were not correctly entered into SOAR for four (4) out of the sixty-three (63) sampled items.

- The grant award letter did not match the information within GRAMS/SOAR for ten (10) of the sixty-three (63) items sampled. In another instance, as supporting documentation, we were provided with the previous phases' award letter.

Process: Budget and Planning

<ins>Reconciliation of Grant Modifications – (continued)</ins>

- OBP was unable to provide the allotment schedule and/or grant modification authorization from the ACFO, for two (2) of the sixty-three (63) items sampled.

These discrepancies are largely due to data entry of grants that are anticipated to be received during the budget formulation process. If a particular grant is subsequently not received, District agencies have been instructed to initiate a reduction in the budget through the modification process. However, we noted that this is not occurring on a consistent basis. In order to help increase the dependability and accuracy of information and to help ensure that all users are working from the same information, a system needs to be developed to ensure that grants which have been entered into the system, but never materialize, are properly eliminated from the system and related budget reports.

Management should also consider establishing a firm deadline for the processing of grant modifications and ensure adherence to this deadline. We experienced delays during the audit process because numerous modifications were submitted after the deadline, which in turn, caused delays in producing final schedules, reconciliations, and analyses needed by our staff. Adherence to the deadline would also allow adequate time for OBP to ensure proper entry into SOAR and to monitor various SOAR entries.

We also recommend that an orderly filing system be maintained to ensure proper control over all supporting documentation. It is important to produce certain detailed records at specific time periods, and to maintain these records for possible analysis by users such as management, independent auditors, or other governmental bodies.

Management's Response:
To adequately address these problems, the OBP Grants Reporting Division intends to implement the following changes.

- When entering the attributes of a new or revised grant into GRAMS, the Notice of Grant Award (NOGA) must be uploaded or attached (effective March 1, 2007).
- After entering the attributes of new or revised grant awards into GRAMS, OBP-Grants Division must be contacted to review and approve the entry before it is entered into SOAR (March 1, 2007).
- If the award entered into GRAMS is an actual award and not a proposed award, the NOGA must be attached before approval will be provided by OBP. The NOGA allows OBP to verify that the information entered into GRAMS is correct and in some respects in compliance with the funding agency (March 1, 2007).
- Reconciliations previously performed on a quarterly basis will now be performed monthly. The Team anticipates that coupled with the proposed changes identified above, performing monthly reconciliations will reduce the time it takes to complete the task from weeks to days. Performing monthly reconciliations will also help alert the OBP Grants Team when modifications are entered incorrectly (effective February 1, 2007).
- Deadlines for year-end modifications will be kept.
- A filing system that classifies grant actions by types and by agency will be implemented no later than April 1, 2007.

Process: Budget and Planning

Reprogrammings

During our verification test of whether reprogrammings were entered into SOAR correctly, we found several entries that had minor variances between the supporting documentation and the actual entry in SOAR. In order to protect against possible misunderstandings, we recommend that the District maintain a complete record of its reprogrammings, from the initial request to the final entry in SOAR. This will also help increase the dependability and accuracy of the information and will help ensure that all users are working from the same information in order to make informed decisions in their respective responsibilities.

Management's Response:
Due to the length of the reprogramming approval process and unanticipated programmatic changes, minor deviations from the original reprogramming requests sometimes occur. These changes reflect unanticipated spending in areas where budget is reprogrammed from, which would otherwise create a deficit and possibly an anti-deficiency law violation if the reprogramming request was initiated unchanged. While the reduction of certain request amounts is a rare but accepted practice, to protect against the possible misunderstandings voiced in the audit and to increase transparency within the process, OBP will require:

- A formal written request from agencies requesting a reduction in the amount requested if funds are insufficient;
- If the agency cannot process the request at all, the agency must submit a formal withdrawal letter addressed to the Mayor and Council; and,
- The agency must submit a unique SOAR document number so that transactions can be more easily verified.

Intra-District Transactions

During our transaction testing, for two (2) items out of a sample of forty-five (45), OBP was unable to provide documentation which verified that the Intra-District Coordinator had signed off on the Intra-District package and further, that the Director of Budget Execution had signed off on the Intra-District package. We identified these items from a sample of transactions selected for testing. Management should recognize that the potential exists for additional violations of set policy.

We further noted that there is no OBP oversight over intra-district transactions which occur within a cluster. We recommend that a central database be maintained for all intra-district transactions and we understand that OBP is working on implementing a policy to have all such transactions reported to it. This will aid in proper monitoring of all intra-district transactions, agreement of information at all levels of the District, and an accurate database which is covered by the District's internal controls.

Management's Response:
OBP obtained filing cabinets January 31 in order to keep the files in a central place. Analysts have been instructed to file their intra-district request packages, once they have been processed, in the central filing cabinet. Current policy provides Associate Chief Financial Officers (ACFOs) the security access to authorize intra-district budget transactions between agencies within their purview. OBP will review this policy to ensure reporting compliance.

* * * *

Process: Revenue Generation and Collection

Real Property Assessment Appeals

During our testwork over the assessment appeals process, we noted the following:

- For three (3) out of forty-five (45) appeals selected for testing, the RPTA Appeals Division could not provide the property owners' application for the 1st level appeal to substantiate the respective owners' appeal case(s).

- The RPTA Appeal Division was not required to and did not maintain the relevant support (e.g. property owner's request for withdrawal, notice of withdrawal to property owner) for four (4) out of forty-five (45) property owners who withdrew their 1st level appeals before a decision was made on the appeal.

Inadequate supporting documentation to reflect changes in tax assessments values, may lead to unauthorized reduction in property assessment values and thus affect revenue adversely. We recommend that the RPTA Appeals Division retain a complete set of documents associated with property owners' appeal cases, in accordance with the District's retention policies.

Management's Response:
The Real Property Assessment Division has recently documented all of its business processes. One of the primary processes documented was the appeals process. This business process has been embellished to include a record retention section.

The Real Property Assessment Division maintains an electronic appeal tracking system as a redundant backup for hard files. For example, the missing hard files were discovered via the electronic appeal system as planned. Additionally, the Office of Tax and Revenue has built into the appeal tracking system a series of checks and balances regarding change to an assessment. If an assessor determines that a proposed assessment requires an adjustment in order to fairly reflect market value or to bring the property into uniformity with similar properties, he/she must make that recommendation in the electronic appeal tracking system. The assessor recommendation must then be reviewed and approved by his/her immediate supervisor. The supervisor's recommendation is reviewed by the residential or commercial manager, and if necessary, the proposed adjustment is then approved by the Chief Assessor.

Homestead and Senior Citizen Tax Relief

During the testing over the Homestead and Senior Citizen Tax Relief program, we noted the following issues. Many of these issues were also noted in a separate audit performed by the District's Office of Inspector General (OIG). We refer management to OIG Audit No. 04-1-27AT, issued on March 23, 2006. We concur with the OIG recommendations as mentioned in this report and recommend that OTR consider their implementation in the near future.

- Property owners in possession of more than one property received the homestead deduction tax credit and/or senior citizen tax relief, even though the owners did not qualify for these tax credits. Furthermore, we noted instances where property owners did not notify the Office of Tax and Revenue (OTR) when they became ineligible.

<u>Homestead and Senior Citizen Tax Relief – (continued)</u>

Management's Response:
In October 2006, RPTA researched the issue of a single property owner receiving the Homestead benefit on multiple properties. From this research, there were 302 named individuals/entities claiming the Homestead deduction on 639 properties. These individuals were referred to the Criminal Investigative Division of the Office of Tax and Revenue on or about November 22, 2006.

To help property owners comply with Section 47-850.02(b)(1) of the District of Columbia Official Code stating, "If a real property no longer qualifies as a homestead, the applicant shall notify the Mayor of the date of the change in eligibility within 30 days after the change in eligibility," OTR places a similar statement on each of the two semi-annual real property tax bills issued to property owners in March and August of each year, as well as on the annual assessment notice that each property owner receives in March. Until 2001, D.C. statute had also required that beneficiaries of the Homestead program reapply for the benefit every five years (47-850). This statute was amended in June 2001 and the five-year re-application requirement was removed. Therefore, in 2006, OTR implemented homestead property audits, to methodically reconfirm the status of a sample of 8,000 of the 93,000 properties in the Homestead/Senior Citizens program. This first phase represented properties that OTR believed had a high chance of resulting in recouping back property taxes, interest, and penalty from owners that were ineligible to receive the Homestead benefit, using 3 of the 7 criteria implemented in 2006 as part of OTR's response to the Inspector General's audit report. OTR's audit plan also includes periodic collaboration with DCRA and DCHA, as noted in the response to the Inspector General's report. Additional audits will follow to address the remaining criteria.

- OTR has not yet developed the structured formal policies and procedures to improve management oversight over the homestead deduction and senior citizen tax relief programs.

Management's Response:
OTR has policies and procedures in-place for the Homestead Audit Unit of the Real Property Tax Administration that were dated June 1, 2005. These were prepared by the Homestead manager. As part of its response to the Inspector General's report dated March 23, 2006, OTR began drafting a more detailed and expanded version of these policies and procedures. This draft, although expansive, is not yet complete but is available for review.

- We noted no audit trail or evidence of review by the Homestead Audit Unit and the Assessment Roll Unit in the Real Property Assessment Division either manually on the application form or electronically in the system to ensure that applications of the property owners went through the review process for eligibility.

Management's Response:
The audit trail for the Homestead application process is in two parts. First, when the Homestead Audit Unit manually grants or rescinds a Homestead benefit to/from a taxpayer, the auditor makes a notation in the appropriate screen of ITS with his/her initials and date of application approval. Sample screen shots will demonstrate that these notes have been placed on the property record. The second way that a Homestead benefit can be granted to a property owner is when a deed is recorded.

Process: Revenue Generation and Collection

Homestead and Senior Citizen Tax Relief – (continued)

Although the OTR employee does not make a notation on the individual property's ITS screen, ITS has an automatic tracking feature that allows for an audit trail that will identify the employee who granted the benefit. A report may be obtained to identify these individuals.

- For one (1) applicant, OTR neither provided an application nor was able to prove that the property owner continuously qualified for the Homestead deduction by meeting one (1) of the four (4) established qualification criteria.

  Management's Response:
  OTR was able to provide an application, or prove that a property owner qualified for the Homestead deduction by meeting one of the four criteria for 44 of the 45 samples selected. However, for one identified owner, OTR was unable to prove the applicant's eligibility for the Homestead benefit.

Tax Exempt Properties

Pursuant to D.C. Official Code 47-1007, each owner of real property that is exempt from taxation under the provisions of subsections (4) to (20) of the D.C. Official Code 47-1002 must submit to OTR an "Exempt Property Use Report" (Form FP-161) on or before April 1st of each year. If the report is not filed by the deadline (including any extensions granted by the Deputy Chief Financial Officer), the property shall immediately be assessed and taxed until the report is filed. In addition, a $250 late penalty will be assessed.

However, per discussion with the Exempt Specialist, due to insufficient staffing at the Real Property Tax Assessment Division, these assessments and penalties are not being strictly enforced. Failure to identify property owners not complying with this law can result in potential lost revenue.

We recommend that a consideration be made of current and future personnel requirements at RPTA to facilitate monitoring of the compliance of exempt properties. Further, we recommend that RPTA should implement control over monitoring the annual filing of Form FP-161 by exempt property owners and entities on a timely manner.

Management's Response:
The Real Property Tax Administration prepared a staffing analysis of the Real Property Exemption Unit. It was determined that two additional full time equivalent (FTE) positions would be necessary to perform all audit functions, ensure compliance with D.C Official Code 47-1002 and produce the greatest amount of revenue for the District of Columbia. One FTE would be sufficient to perform the level of audit required by D.C. Official Code 47-1002, and a second FTE would provide for the monitoring and the compliance of all exempt property requirements in greater detail. This proposal was approved by the Office of the Chief Financial Officer, and the Real Property Tax Administration hired an exemption specialist at the beginning of fiscal year 2007. As a result, OTR will be able to audit the "Annual Use Reports" (FP-161) so that the property shall immediately be assessed and taxed until the report is filed. In addition, a $250 late penalty will be assessed.

* * * *

Process: Loan Programs

Reconciliation of Loan Balances

The Department of Housing and Community Development (DHCD) contracts with a financial institution to perform the loan servicing function. It has also entered into an agreement with a community based organization to perform community outreach, loan applications, and loan approvals and related disbursements. Both of these organizations provide DHCD with monthly reports detailing loan collection and disbursement activity.

As in the prior years, DHCD records cash activity related to loans (i.e. collections and loan disbursements) each month as they occur. However, loan balances are only reconciled to SOAR and adjusted at year-end. As a result, it is possible that cash collection and disbursement transactions can be recorded to another program; in fact, this has occurred. Therefore, balances in the SOAR system may be out-of-balance each month until corrected after completion of the year-end reconciliation.

Due to staffing constraints, management has elected to reconcile the detailed loan reports to SOAR in connection with the annual audit requirements. We recommend that DHCD should establish a process to reconcile and update SOAR loan balances more timely. Management should consider performing a reconciliation of the servicer and the loan processor reports on a quarterly basis.

Management's Response:
The agency's ability to perform the timely recording of loan activity is directly related to receiving timely and accurate information from the agency's loan servicer. The loan servicer has failed to provide DHCD with accurate loan data and reports on a timely basis. As a result, the agency had no choice but to record all changes in a quarterly loan activity at year's end. In an attempt to respond to prior year's deficiencies, the agency put the loan servicing contract out for bid in fiscal year 2006. The agency now has a new loan servicer for fiscal year 2007 that should ease our ability to post activity on a more regular basis.

* * * *

Process: Fixed Assets

Calculation of Depreciation Expense

During our procedures over personal property additions and the related depreciation calculations, we noted that depreciation expense was incorrectly calculated for various items (i.e. cafeteria equipment, an aircraft, a van, and a wagon). The District uses the Fixed Asset Subsystem (FAS) which automatically calculates and posts depreciation for fixed assets. FAS uses the useful life range as it is manually entered for each fixed asset item when calculating depreciation. The miscalculations noted in our audit process were mainly due to record-keeping or unintentional errors of assigning incorrect useful lives, asset class, or in-service dates in the system.

District agencies should have proper control in place to ensure that the values (e.g. useful life, in service date, asset class, etc.) are entered into the system accurately. While the District made various adjustments to address these known and identified items, we recommend that District personnel perform a review of existing information and implement policies to improve and strengthen controls over recording of fixed assets in the respective systems.

Management's Response:
Once advised of this problem, we corrected the most significant current year errors. Also, we are currently modifying the Fixed Asset Subsystem to prevent agencies from entering a useful life other than that prescribed in the Financial Policies and Procedures. We will also continue to emphasize the importance of entering the correct class, subclass, and in service date for new acquisitions. We will monitor new additions centrally and question inconsistencies.

Transactions with Related Parties

We noted the following series of events which took place during the fiscal year:

- On July 21, 2006, the District conveyed to the Anacostia Waterfront Corporation (the Corporation) title to certain property located within the District.

- Subsequently, on July 21, 2006, the Corporation entered into an agreement, where the aforementioned land was leased back to the District for a sum of $1 in rent payable.

- The Corporation and the District agreed that the land would then be subleased to the Sports and Entertainment Commission (the Commission), as the Commission is required by the Baseball Act to construct a baseball stadium within the boundaries of the aforementioned land. This sublease between the District and the Commission was also executed on July 21, 2006, for the sum of $1 in rent payable.

It was noted that while the title of the land was conveyed to the Corporation, the actual land remains on the books and records of the District at year-end. As related-party transactions are often scrutinized quite closely, we recommend that management review the recording of this transaction and ensure that the amounts, accounting treatment, and the business purpose are clearly identifiable.

Process: Fixed Assets

Transactions with Related Parties – (continued)

Management's Response:

The Office of Financial Operations & Systems has reviewed these related party transactions and determined that the accounting treatment is appropriate.

While the legal form of ownership of the land changed on July 21, 2006, the substance of ownership did not change. On the same day, the land was leased back to the District for a period of 99 years in consideration of a nominal sum of $1. Consequently, the District continues to assume substantially all of the risks and enjoy the benefits of ownership of this land.

Where there is a difference between the substance and the legal form of an accounting transaction, generally accepted accounting principles (GAAP) require that the accounting transaction be recorded based on its substance as opposed to its legal form. Therefore, the District will continue to keep this land on its books in accordance with GAAP.

* * * *

Process: Disability Compensation Program

The District through the Office of Risk Management (ORM) administers a disability compensation program under Title XXIII of the District of Columbia Comprehensive Merit Personnel Act of 1978.

<u>Actuarial Analysis</u>

Generally an actuarial study uses data that includes all of the open and closed claims in any given policy year. The District's actuarial analysis for fiscal year 2006 referred to the fact that complete claims development information for the past few policy years was not available. This missing historical claims information might have provided more insight and could have been used to provide a better estimate of the resulting loss and loss expense reserve.

Since certain historical claims development data was not available for ORM programs, as an alternative, factors based on industry data were used in the analysis. This method is not the most reliable in providing an estimate of the resulting loss and loss expense reserve.

We recommend that management create and continue to maintain strong internal controls over new claims while trying to assess the quantity and values of previous claim files during the forthcoming fiscal year. This will aid in formulating a complete database for submission to the actuary.

Management's Response:
This issue will become one of less relevance as more evaluations are completed. The prior data is unavailable due to mismanagement prior to ORM assuming control of the claims management. As more future data is available, historical data will be available, and we will not have to depend on industry based factors.

<u>Workers' Compensation - Civilians</u>

While performing our testwork, we noted the following. We recommend that management should take steps to ensure that all claim files have complete information. We also recommend that strong documentation and review mechanisms be put in place to avoid recurrence of such errors.

- Open claims

  a) Of the files requested, we noted that some files did not have any invoices despite payments having been made during the period under review. Of the remaining files with available invoices, we found a number of invoices did not have proper approvals for payment.

  b) In several cases, the injured worker had not filed a claim within 30 days of the injury; this is required per procedures in the D.C. Merit Personnel Act. We also noted that in other cases the date on which the claim was filed had not been recorded.

  c) Of the files reviewed, some did not have adequate documentation to show that the doctor(s) felt the injured workers' disability was the result of an injury at work.

  d) We noted that several files did not have the claimants' salary information.

Process: Disability Compensation Program

Workers' Compensation – Civilians – (continued)

e) Of the files requested, there were some where the hard copy files were not available, and only partial information for these claims was available on eTeam.

- Closed claims

a) For one (1) claim submitted by a disabled worker, we noted that there were two (2) claim files on record. We were informed that this was an error and that there should have only been one claim file. We noted that payments had incorrectly been posted against the duplicate claim number.

b) Invoices paid against another claim selected for review was not available.

c) One (1) claim was closed in fiscal year 2005 but was incorrectly recorded in the database as being closed in fiscal year 2006.

d) One (1) of the claims selected for testing did not have much of the required test data, either on line (eTeam) or in hard copy.

e) We also found that certain invoices did not have proper approval for payment.

Management's Response:
The Disability system that we are currently using does not allow for easy access to the data, but all "missing" data was actually in the files and has been provided. We are, however, in the process of upgrading the disability system and will have a new one in place by July 2007.

General and Automobile Claims

While performing our testwork, we noted the following:

- Documentation was unclear on several claim files related to how the reserves were determined. Handwritten amounts without full and proper justification of the recommended reserve were noted.

  In addition there was no evidence that the recommended reserve of the adjudicator had been reviewed and approved by a supervisor, even though we were informed that the Tort Liability Manager generally approves the reserve amounts verbally.

- We noted at least two (2) instances where claims were settled during fiscal year 2006 but there was still a reserve showing on the books at year-end because the claims had not been closed out until after year-end. The reserve was therefore overstated.

- In other instances, we noted that reserves appeared to be overly optimistic. While we were informed that the reserve is determined on a subjective basis, robust documentation and review would have assisted us to better assess the reserve and the related incurred but not reported claims data (IBNR).

Process: Disability Compensation Program

General and Automobile Claims – (continued)

- We noted that there were certain reserves recommended by the adjudicators and documented on the claim files which had erroneously not been incorporated into the claims spreadsheet sent to the actuary. The actuary uses this data to determine year-end case loss reserves and the IBNR. As a result, the year-end reserve and the IBNR appear to be miscalculated.

- In at least one case, the claim was denied and closed but there was still a reserve at year- end. This reserve was not required and resulted in the reserve being overstated.

We recommend that management should take steps to ensure that all claim files have complete information. We also recommend that strong documentation and review mechanisms be put in place to avoid recurrence of such errors. Additionally claim adjustors should provide comprehensive documentation of their rationale for any reserve that they recommend and the claims manager/supervisor should signify their approval on the reserves recommended.

Management's Response:
Adjusters are instructed to input and/or update reserves upon receipt of an assigned or transferred file. They are instructed to set a reserve for each assigned claim. Under no circumstances should an open claim file have a 0 reserve. Setting reserves is subjective, not an exact science. If the claim file is a new assignment, the adjuster is to set the initial reserve based upon the information provided in the original notice of claim. The reserve value is subject to initial documentation, adjuster experience with the type of claim, and validity of allegations. It is adjusted as additional information is received throughout the investigation of the claim. Though not always documented, management provides verbal approval of reserves.

Adjusters have been instructed to fully document the justification for claim reserves. Management will also provide written documentation with respect to reserve approval for the claim files.

It is a usual and customary practice to adjust reserves at various stages of the investigation. It is not unusual to find a change in the reserve or the claim status subsequent to the year-end report. Such updates should not have any bearing on the year-end reserve or IBNR. Closed claims can be reopened at anytime prior to the statute of limitations, which may coincide with/or follow year-end reporting. When this occurs, the reserves will be re-established on the claim, and ultimately impact the actual year-end reserve and IBNR.

The claims database automatically backs out the claims reserves to a 0 amount when a claim is closed, and the reason for closure is "inactivity", "denied", "settled" or "expired". Management will review closed claims to ensure that reserves are backed and that the database is functioning properly.

Case Loss Reserve Computations

It is noted that with respect to the data related to civilian workers' compensation claims and general and automobile claims, a third party administrator, CMI Octagon, manually updates the estimated loss reserves on a claim by claim basis every 90 to 120 days. The system does not automatically generate cut-off and calculate the case loss reserve at a particular date, such as at year-end.

Process: Disability Compensation Program

Case Loss Reserve Computations – (continued)

We noted that there were instances where the reserve was calculated a long time prior to the year-end and then not adjusted for subsequent payments made between the date the reserve was calculated and September 30, 2006. Based on our sample testwork, the error is estimated to be approximately $440,000. We recommend that management consider some customization or another method to incorporate the ability to automatically adjust the reserves to the correct year-end values, taking into account payments made between the date the reserve has been set up and the year-end. As a result, the reserve generated by the system for the actuary and for accounting and audit purposes will be accurate.

Management's Response:
We will be moving to a new disability system in July 2007 that will address these issues and allow for easier access to supporting documentation.

Database Ownership, Possession, and Control

It is noted that the database used by the ORM currently runs off a third party's software. The third party software is owned by the transaction processing administrator (TPA), CMI Octagon. In years past, the ORM lost its complete claims data base because the prior TPA did not return the data over a dispute. We recommend that the ORM consider a thorough review of the CMI contract and all addendums on an annual basis to ensure that it has complete physical and legal access to the CMI database and software, especially in the event of any disputes. If necessary the contract should be amended to include a clause that stipulates that a version of the software should be provided to the ORM on an ongoing basis such as every three (3) months. In addition, a copy of the database should be backed up and stored at the ORM on a periodic basis.

We also noted that the District uses a service organization, CMI Octagon, to handle certain aspects of the operations of the disability compensation plan. Accordingly, transactions that affect the District's financial statements are subjected to policies and procedures that are, at least in part, physically and operationally separate from the District.

Based on our review of the report received from CMI Octagon, on processing of transactions by service organizations, the District should note and consider that the independent auditors report was qualified. The report covered the general controls and administrative controls relating to transaction processing of disability claims services. The audit opinion indicated that for a certain control objective, manual approvals are not obtained for payment and corresponding documentation is only retained for a period of three (3) months.

CMI Octagon's controls should provide reasonable assurance that the existing system software and applications, as well as implementation of new system software and applications are authorized, tested, approved, properly implemented, and documented and does not affect the District's data in any significant manner.

Management's Response:
We will continue to receive data dumps from CMI Octagon and as we transition to the new disability software, we will ensure that the District has full and complete ownership of its data.

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Process: Allocation of Indirect Costs

Approval of Cost Allocation Plans (CAP)

The fiscal year 2003 and fiscal year 2004 CAPs were approved by the District's cognizant agency, with the exception of $49 million in general obligation bond interest, due to the lack of adequate supporting documents. The primary cause of this is that the District has not had a system in place to suitably allocate interest since 2002. Because of these previous refusals, the fiscal year 2005 CAP that was submitted by the District on April 5, 2006, also did not include any interest expense. We recommend that management address this issue in the near future.

Management's Response:
A new system is in the final stages of implementation. The fiscal year 2007 CAP will be able to calculate, report, and support interest expense and in fiscal year 2007, the District plans on resubmitting the previous years' plans (fiscal years 2003, 2004, 2005, and 2006) to reflect the interest not requested earlier.

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Information Technology Environment – General Controls

Strategic Plan

The current strategic plan is dated from 2002-2004. No new strategic plan has been developed since 2004. We recommend that the strategic plan should be reviewed and updated. The specific actions necessary to accomplish each goal in the plan should be determined and documented. Also, we recommend that the strategic plan be monitored by comparing actual progress with the planned results and revising the plan if circumstances change.

Management's Response:
In January 2007, a new Administration under Mayor Fenty assumed control of the executive branch of the Government. One of the first tasks was to identify a new Chief Technology Officer. The new Chief Technology Officer will be reporting for duty towards the middle of fiscal year 2007. One of the first tasks will be to consider the strategic direction for Information Technology in the District government.

Segregation of Duties

The support team acts in a dual role, including support and development. While this was mitigated by the fact that no significant changes were applied to the SOAR application during the current year, management should still recognize the potential of programmers in introducing unauthorized program changes to significant financial applications, which may result in inaccurate financial reporting for the District.

We recommend that developers or individuals in the developer role should be restricted to "read-only" access rights to the production libraries for all significant financial applications. Programs should be promoted to production by someone independent of the programming group after adequate testing is performed and formal approvals have been received from appropriate members of business and/or IT management. In addition, security monitoring at the RACF level may be used to mitigate the risk.

Management's Response:
Management agrees that SOAR PMO staff provides support to the production application, and when necessary makes minor modifications to the SOAR application. There have been no significant changes to the application, and none are planned. The application is in maintenance mode. SOAR PMO staff members are not truly used in development roles – contractors developed the application and one such contractor is still retained for that purpose. Once the contractor has completed unit testing required software changes, a request is made to the SOAR PMO staff to migrate the code to a User Acceptance Testing environment. Once the Office of Financial Operations and Systems (OFOS), the business user, tests and formally approves the software change, a request is made to the SOAR PMO to promote the software to production.

Management agrees that true developers should be restricted to "read only" access rights to production libraries. The retained contractor has authority to browse production libraries and does not have the authority to change production libraries nor data. RACF is the security package used to secure the SOAR application programs and data. Any unauthorized access attempt is reported to the SOAR PMO and appropriate measures are taken.

Management will make a procedural change to mitigate risk on the occasions a SOAR PMO staff member must modify software. The amendment will entail separation of duty between the SOAR PMO staff member who codes the change and the SOAR PMO staff member who propagates the software to production.

Information Technology Environment – General Controls

ACEDS Application

During our review, we noted the following:

- An appropriate, formal, and documented methodology has not been implemented for systems development, acquisitions, and change management for the ACEDS application.

- The entire development team has access to use the software and can promote code changes into the production environment for the ACEDS application.

Management should consider implementing formal, documented change management methodologies, policies, and standard operating procedures to support all significant financial applications.

There should be common guidance for all application teams that includes, but is not limited to, formal documentation of the various stages of the program change lifecycle, such as initial request and analysis, testing, change authorization, migration, and technical and user documentation requirements. Further, we recommend that developers or individuals in the developer role should be restricted to "read-only" access rights to the production libraries for all significant financial applications. Programs should be promoted to production by someone independent of the programming group after adequate testing is performed and formal approvals have been received from appropriate members of business and/or IT management.

Management's Response:

- We are in the process of obtaining a Business Development Analysis for the ACEDS System. The RFP has been issued and will close the week of 4-6-07. The Business Analysis will provide future requirements and methods for the development, and change management. Acquisitions are already defined by the Office of Chief Technology Officer (OCTO) and District regulations. There never has been a formal internal "documented methodology" document used by the Department of Human Services (DHS) for ACEDS. However we do follow the initial 1977 and 1986 procedures provided by Computer Associates (CA) for internal development and change management. We use the NETMAN and PanAPT software and their process and procedures. NETMAN was removed by OCTO this past year but we still use the PanAPT written software procedure. Hardware acquisitions are handled by OCTO (owners of the mainframe computers) software upgrades are purchased by DHS. We follow the established OCTO and District purchasing procedures by providing for a PIF, and District required PASS documentation. We follow the District standard required purchasing procedures for IT purchases. There is no need or requirement for our own internal purchasing process.

- Yes the development team has access to use the software. It is their job. The team has many short fuse and quick turn around assignment required by District or Federal law modifications to the TANF or Food Stamps and other IMA processes. The team is on call 7 x 24 to meet the needs and requirements of the system. Each section in the development division has a lead person in charge of code promotion but everyone on development team 1 that has on call responsibility is given the authority to cover their on call hours and promote code as required. Only three people on team 1 have that responsibility as part of their duties. Two people on team 2 are responsible for promoting only Vital Records application.

Information Technology Environment – General Controls

ACEDS Application – (continued)

- The programming team follows CA's list for code development and modifications. They check out the code from the production environment. They move the code to the development sector (Dev); do their work and move the code to the Testing (test) sector. The user tests the code and application and accepts or rejects the code. The process continues until accepted. The code is then moved to the production environment (Prod) and the person on call is responsible for promoting the code. This process has been in place since the initial installation of the software.

PASS Application

For five (5) out of eight (8) program changes in the PASS application, we were not able verify approval. We identified these items from a sample of transactions selected for testing. Management should recognize that the potential exists for additional violations of set policy which may result in inaccurate financial reporting for the District. Internal control for the PASS program change management process should be re-enforced and re-communicated to the applicable parties involved.

Management's Response:
We believe that that these five program changes are District of Columbia Public Schools' (DCPS) SCRs. They had a slightly different approval path and PVCS partition due to the immensity of the project, which was explained to the auditors during their visit. These SCRs were still approved by the Release Board, but approval may not have been noted in their partition. In fact, for the first set, they came to the Board directly. We are prepared to provide meeting minutes from that meeting. Additionally, we can provide the SCR with the necessary approval.

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Information Technology Environment – Application Controls

Processes at Office of Tax and Revenue

On a monthly basis, the gross receipts spreadsheets (for excise taxes) are compared to the entries within SOAR. This reconciliation is performed informally and there was no audit trail to verify the performance of these monthly reconciliations for excise taxes. We recommend that a formal process should be implemented to document the performance of excise tax reconciliations.

Management's Response:
Monthly, reconciliations are formally performed by the Compliance Administration and submitted to the Revenue Accounting Administration for review. However, we will modify the format to document the preparer and reviewer.

Transactions at Office of Tax and Revenue

During our procedures, the following was noted. We identified these items from a sample of transactions selected for testing. Management should recognize that the potential exists for additional violations of set policy.

- For five (5) out of forty-five (45) items tested, we could not verify that the assessor's files (Percent Change and Old to New Reports) were reviewed and approved by supervisory personnel. We recommend that unit supervisors should consistently review and authorize neighborhood assessment documents prepared by each assessor under their responsibility. This review should be formally documented. In addition, a random quality assurance check can be implemented to ensure unit supervisors are documenting their review.

  Management's Response:
  The Real Property Assessment Division has designed a mandatory supervisory sign-off sheet that is to be included as part of the Percent Change Report package. This report and sign-off sheet will be reviewed by management to ensure that the required level of supervisory review and approval is attained.

- For one (1) out of forty-five (45) items tested, we could not determine if an Old to New Report should have been reviewed because the Percent Change Cover Page was not provided. We recommend that an orderly filing system be enforced where a complete set of documents is retained in accordance with the District's policies.

  Management's Response:
  The Real Property Assessment Division has implemented an office records retention schedule and plan as required by the Office of Tax and Revenue records retention schedule and recommended by BDO Seidman, LLP.

Information Technology Environment – Application Controls

Processes at Office of Finance and Treasury

During our procedures, the following was noted:

- Monetary transaction restrictions do not exist for approving wire transfers within banking systems. To minimize the risk of unauthorized transactions, we recommend management consider establishing limits requiring additional approvals of wire transfers over certain pre-established dollar amounts.

  Management's Response:
  The pre-established dollar amount is $999,999,999 for banking systems that we currently use. However, all payments are reviewed and approved by the Cash Manager prior to transfer execution. The existing process does not allow the same individual to approve and wire the transaction at the same time. There is dual control here with the manager or his/her manager approving the transaction. In addition, the Cash Manager verifies the Daily End of Day Report which captures all wire transfer activity for any given work day.

- A formal process to approve, delete, or modify user access to SunGuard and other banking systems does not exist. We recommend that management consider the implementation of such a process.

  Management's Response:
  OFT does have a process in place to approve, delete, and modify user access to SunGuard; however, as indicated it is not formalized. Therefore, we are in the process of creating formal procedures for approving, deleting, and modifying user access, which will be implemented within 30 days.

- The SunGuard system administrators have access to every module including the input and release of wire transfers. We recommend that management establish user access rights and authorizations based on individual job responsibilities. These access rights should also be periodically reviewed to ensure that they remain appropriate.

  Management's Response:
  OFT currently has a system of establishing user rights based on the user's responsibility and system needs. However, a SunGuard system upgrade dismantled the rights that were set up prior to the upgrade. All users were subsequently reassigned rights in the system. OFT is creating formal procedures for the establishment of user rights that incorporate a contingency plan regarding the removal of rights. These procedures will be implemented within 30 days.

- On the occasions when the Investment Manager performs the duties of the Investment Officer, there is a lack of adequate oversight of investment transaction activity. We recommend that management consider alternatives to this process which will ensure adequate segregation of functions.

Processes at Office of Finance and Treasury – (continued)

Management's Response:
There is adequate segregation of functions under the scenario presented. When a cash management staff member is filling-in for the Investment Officer, all transactions are authorized and approved by the Associate Treasurer or another senior level staffer in the absence of the Associate Treasurer.

Transactions at Office of Finance and Treasury

During our procedures, we noted that for sixteen (16) out of forty-five (45) wire transactions tested, we could not verify that the SOAR Revenue Receipt was appropriately prepared and approved. We recommend that documentation to support activity should be retained and stored in a central location that is accessible. We identified these items from a sample of transactions selected for testing. Management should recognize that the potential exists for additional violations of set policy.

Management's Response:
Twenty-three (23) of the total forty-five (45) population were SOAR/SunGuard Interface transactions. This meant that there would not be a manually prepared SOAR voucher – reason why audit could not verify. However, all of the twenty-three (23) transactions have accompanying authorized and approved documentation that authenticated the payment and thereby provided cash management personnel the proper authorization to execute the wire transfer.

Health Care Safety Net

We noted that a formal control process has not been implemented to monitor expenditures. Without an adequate control process, payment of claims may be inaccurate. We recommend that management consider the implementation of appropriate processes.

Management's Response:
The previous Fee-for-Service (FFS) program was administered by an Administrative Services Organization (ASO). The function of the ASO, Chartered Health Plan (CHP), was to adjudicate and process payment for all claims in accordance with the "Master Agreement" governing the Alliance program. CHP submitted, on a regular basis, task orders requesting funding to pay all providers. The request was reviewed by the HCSNA and by the OCFO, prior to approval. The HCSNA was not set up to adjudicate claims in-house. Each year the HCSNA audits CHP's files for accuracy and compliance. Gardiner, Kamya and Associates provided the audit services. However, with the advent of the Managed care contracts (MCO's) payments are based on a capitated rate and not on a claims basis.

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Government of the District of Columbia
Lottery and Charitable Games
Control Board

Disaster Recovery Plan

The Lottery does not have a formal and completed disaster recovery plan that has been tested and fully implemented to ensure continuity of operations in the event of an unforeseen event or disaster. Management is aware of the importance of such a plan and it is currently in the "DRAFT" stage of completion.

We recommend that management expedite the completion of this plan and ensure that all aspects of the plan in fact work. The plan should outline all the necessary steps that would need to be implemented in order for the Lottery to return to normal daily operations/continuity of business, and minimizing any monetary losses. In addition, all employees should be made aware of their roles should a disruption in service occur.

Management's Response:
The first final draft of the IT Disaster Recovery Plan is scheduled to be completed by March 1, 2007, and then testing of the plan will begin in April 2007. In addition, the IT Department is working with its IT Modernization vendor to develop and test the IT Department's Continuity of Operations Plan (COOP), which is scheduled for completion within fiscal year 2007 (3rd Quarter).

Physical Environment in the Data Center

Currently, the Lottery does not have sufficient policies in place regarding managing and protecting its operations against physical environmental factors. More specifically, the Data Center does not have formal procedures in place to ensure the temperature and humidity range is maintained at an appropriate level. Although there is a mechanism in place that can determine if there is a fluctuation in temperature, our review noted the recorded temperature was sixty seven (67) degrees Celsius, which is above the acceptable standard range of 40 – 60 degrees Celsius for a Data Center.

We recommend that policies on temperature and humidity be established and monitored regularly so that the air conditioning units operate within the predefined range of temperature and humidity. In addition, there should be a physical planning guide that outlines the environmental requirements that includes acceptable air flow, temperature, and humidity ranges.

Management's Response:
The IT department has instituted a Standard Operating Procedure for environmental control monitoring. Moreover, the department is researching environmental monitoring appliances for purchase to assure that environmental conditions are within defined tolerances.

User Account Management

The Lottery does not have a documented and formalized user account management log for the Oracle financial system. We noted that there is an access control policy; however, the Oracle financial application was not included.

The user account management log is essential to data integrity and information security. The Lottery should expand its access control policy to include all systems, especially the financial system. All users should be assigned unique user IDs which should be role based. Employees should be made aware of the importance of having a unique user ID and that it should not to be shared with anyone.

User Account Management – (continued)

In addition, audit logs should be generated periodically and reviewed in order to monitor user activity and to prevent, detect, and deter improprieties.

Management's Response:
The IT department has instituted a Standard Operating Procedure for Oracle Financial Application user account management. Moreover, the department has instituted monthly management reviews of all account activity and privileges.

Oversight of Functions

There is inadequate oversight of duties over certain Lottery operations such as the lottery hotline and help desk to ensure that consumer inquires, complaints, or adverse issues related to the Lottery, its retailers, or its contractors are adequately and timely reported and resolved. Currently, the hotline and help desk are being solely monitored and managed by a contractor, Lottery Technology Enterprises/Gtech, with little or no supervision or interaction by an authorized Lottery official.

Sound business practices suggest that feedback, complaints, or adverse issues should be timely provided to the primary business owner/operator to ensure appropriate resolution to the issue. Under the current set up, communication of feedback may be compromised through delays or inaction, especially if it adversely relates to the performance of the third party vendor or application system. The vendor's priorities may not necessarily align with that of the Lottery and situations requiring immediate attention may be covered up or under-reported for fear of jeopardizing the contractual agreement.

We recommend that management consider reorganizing the hotline and help desk system to ensure that Lottery personnel facilitate retailer/agent complaints and feedback. Personnel should be able to determine the cause and criticality of issues for speedy resolution.

Management's Response:
The IT department has instituted a Standard Operating Procedure for review of the LTE Hot-Line Reports. Moreover, the IT department has requested software modifications in the next batch release that will provide the IT department with an electronic data feed of all Hot Line data. With the raw data, the IT department will be better able to discern service trends and address issues in a timely manner.

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Government of the District of Columbia
Unemployment Compensation Fund

The District's Department of Employment Services (DOES) is responsible for the administration of the Unemployment Compensation Program. While performing our testwork, we noted the following:

Employer Payroll Audits

The Tax Division within the Unemployment Compensation Program is responsible for collecting tax receipts from District employers for their respective payment of unemployment taxes. Private employers doing business within the District must file the Employers' Quarterly Contribution and Wage Reports (Form UC-30) for payment of the taxes generally within 30 days after the end of the quarter. The information reported on the Form UC-30 must match the information maintained by the employer's payroll records and the information reported for federal tax purposes. Department of Labor (DOL) Unemployment Insurance Program Letter No. 18-93 requires DOES to perform audits annually of 2% of its active contributor employer accounts. DOES did not perform the required number of audits in 2006. Approximately 30 audits were performed compared to approximately 580 audits required to meet the 2% requirement.

Historically, the 2% audit requirement has not been met and this matter was also noted in the prior year. We recommend that DOES ensure that the required number of payroll audits is performed annually and that management considers the incorporation of this process into its routine to gain compliance with DOL regulations. As a further benefit of conducting these required audits, the Tax Division can minimize the amount of uncollectible accounts written off annually.

Management's Response:
Auditor training has been conducted. A goal of at least 500 audits during fiscal year 2007 has been established. The supervisor of the Tax Enforcement Unit is accountable for achieving this goal and it is a part of the supervisor's performance plan. Monitoring to assure that the goal is met is the responsibility of the Acting Chief of Tax and it is a part of the Chief's performance plan.

Claimant File Management

Claimants must meet certain eligibility requirements prior to the disbursement of unemployment insurance benefits. When a claim is filed, and there is an issue with the claim, a file must be maintained to determine the history of the case and to ensure adequate documentation made by the claims examiner. This may include the Separation Fact Finding Report, the initial application, and a monetary determination form. DOES has the responsibility of ensuring that these requirements have been met and there is sufficient evidence to support the determination of the claim.

DOES could not locate files for four (4) of the forty-five (45) claimant files selected for testing. Because of the lack of files, we could not determine whether the claimants were entitled to unemployment compensation benefits. We recommend that all evidence supporting a claimant's eligibility of benefits be maintained in either hard copy or electronically and be accessible for review.

Management's Response:
Each of the four (4) case files that could not be located had been purged from the active files by the time the audit was conducted. These purged files are kept in boxes for a year in a storage area before the records are shredded. Folders within the boxes however, are not arranged in social security order and the boxes are haphazardly labeled and stored. Corrective action instructions will be issued regarding the purging of the active files. These instructions will require that files be stored within boxes in social security order, that each box be prominently labeled with the range of social security numbers contained in said box, and that boxes be arranged in order within the storage room.

Reconciliation between DUTAS and SOAR

DUTAS, the District's Unemployment Tax Assessment System, records all activity related to the amount of taxes, interests and penalties due, and the amount paid by employers. This system, however, is not the District's system of record. On a periodic basis, information from DUTAS is recorded into SOAR, the District's financial reporting system, to produce financial reports and maintain current financial data.

Where multiple systems are used to operate and manage a program, frequent reconciliations should be performed to ensure the systems agree and the reporting of information regarding the program is consistent. During 2006, the reconciliations performed between DUTAS and the bank and the bank to SOAR were not properly reviewed and approved. In addition, the reconciling items identified were not timely resolved.

Reconciliations are an important control that helps to ensure the reporting of financial information is consistent between DUTAS and SOAR. Without adequate reconciliations, there is the risk of improper reporting of assets. We recommend the reconciliations of DUTAS and SOAR be reviewed and approved and reconciling items be resolved timely to ensure all systems are in agreement and reporting the consistent information.

Management's Response:
Management has already taken steps to ensure the DUTAS reconciliation to SOAR is done on a monthly basis. This process will have continuous management supervisor and the reconciliation will be reviewed monthly by a manager. All reconciling items will be sent to the Tax Division monthly to be resolved.

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Anacostia Waterfront Corporation

Review of Bank Reconciliations

Bank reconciliations prepared by the controller are not reviewed by the Chief Financial Officer (CFO) or other senior official. The monthly bank reconciliation serves as a key control over cash transactions. The reconciliation provides independent confirmation of bank ledger balances and ensures that errors generated by the accounting process are detected and corrected on a timely basis. An independent review of the reconciliation by a senior official strengthens internal control over cash balances.

The accounting department is not yet fully staffed and the current workload has not allowed the regular review and approval of bank reconciliations by the CFO.

Management's Response:
The CFO will review and approve all monthly bank reconciliations in the future.

Fixed Assets Inventory

Standard safeguard controls over fixed assets require periodic inventories to ensure that the assets recorded actually exist and are properly valued. An inventory of fixed assets was conducted at September 30, 2006. However, the inventory process was not completed until after year-end close and the annual audit. The pricing of the inventory was still ongoing as of the end of fieldwork.

The inability of the Corporation to complete the inventory process in a timely fashion appears to be caused by staffing constraints. There is a risk that certain recorded assets may not exist or may not be properly valued. We recommend that the Corporation properly plan, supervise, and review the results of the physical inventory so that the information can be used in the fiscal year to which it relates.

Management's Response:
Department of Finance staff will initiate annual inventories at an earlier date so that pricing will be completed before the beginning of the annual audit process.

Approval of Timesheet Alterations

Timesheets serve as a record for the hours worked and paid for. Standard timekeeping procedures require that a supervisor or the head of a department acknowledges that the hours recorded reflect the hours actually worked. Our assessment of payroll controls determined that alterations to time and attendance records are not always approved by a department head or appropriate individual prior to processing. As a result, it is possible that the Corporation can pay for time not actually worked.

We recommend that management consider appropriate steps to reduce the potential for payment of unauthorized time worked.

Management's Response:
Managers will be instructed on the importance of signing bi-weekly timesheets. Department of Finance staff will ensure that no timesheets are processed without proper authorization of a supervisor.

Distribution of Purchase Orders

A purchase order confirms the quantity and value of goods or services ordered. A purchase order also obligates and commits the Corporation to approved expenditures. During our assessment of procurement controls, we noted that purchase orders are not always distributed to vendors and other appropriate parties. As a result, the Corporation may pay for goods not properly ordered.

We recommend that all purchase orders issued by the Corporation be distributed both to the vendors, as well as, other appropriate internal departments.

Management's Response:
Contracting and procurement staff will distribute contracts and purchase orders to vendors, requesting departments, and finance staff for every procurement in the future.

Contract Award System

During our testing of procurement procedures and controls, we noted that:

- Ten (10) out of twenty (20) contracts tested were awarded for approximately $199,500, the level beyond which board approval is sought.

- We also noted that four (4) out of the twenty (20) contracts were awarded on a sole source basis. Three (3) of the four (4) sole source contracts were awarded on the basis of historical experience and continuation of services.

While the rules require the CEO to issue a quarterly report to the Board of Directors, listing all contracts under $200,000 approved by the CEO, the incidence of contracts just below the $200,000 threshold is too high and gives the appearance that the award values are set to avoid Board scrutiny.

The Corporation may lose money through the application of non-competitive procedures or adoption of poor procurement practices The Corporation must strengthen its controls over the awarding of contracts to ensure that procurement rules are complied with.

Management's Response:
It is important to note that the preponderance of procurements just below $200,000 does not reflect a desire on the part of staff to avoid board scrutiny. Rather, it reflects the desire of the staff to maintain flexibility up to an established level approved by the Board. The Corporation is in the process of reviewing its contracting guidelines to determine if the threshold for Board approval should be increased, based on levels in place in comparative organizations. Recent efforts to expand contracting and procurement staff will strengthen the Corporation's ability to ensure that all procurements are properly competed and that it receives the maximum value for goods and services it procures.

Procurement Board Resolutions

Section III A of the Corporation's procurement policy allows Corporation staff to request board resolutions authorizing staff to award any contract in the amount of $200,000 or higher, or any contract modification which would cause an existing contract to exceed $200,000. The board may exercise its authority either by granting advance authorization to award a specified category of contract over $200,000 or by authorizing specific proposed contract over this threshold after terms have been negotiated.

Procurement Board Resolutions – (continued)

By issuing blanket authority, the Board despite directing that procurement rules be followed, has no way of confirming that a competitive selection process is actually being followed. The current Board resolutions are not supported by individual justification for contracts awarded. The Corporation should consider reviewing its procurement policy and benchmark against best practice in the industry to strengthen controls.

Management's Response:
In the future, all procurement resolutions approved by the Board shall be specific in order to strengthen its controls over procurement and to comply with best practices.

Approval of Journal Entries

Journal entries prepared by the controller are not reviewed or approved by a more senior official. This appears to be due to staffing constraints. The Corporation's accounting and finance roles are shared by three (3) staff: the CFO, Controller, and an AP specialist. With this level of staffing, routine journal entry approvals have not been possible. Management should recognize that unauthorized entries may result. The accuracy of account balances may also be compromised if adjusting journal entries are not approved at the appropriate level.

Management's Response:
The Corporation will explore the feasibility of expanding or augmenting the finance staff to facilitate an appropriate separation of duties.

Separation of Duties

We noted that the controller processes journal entries for the majority of financial transactions and is also responsible for bank reconciliations and financial reporting. Segregation of duties is a basic internal control which requires the performance of authorization, custody, record keeping, and reconciliations to be done by different employees. We understand that staff limitations do not allow key financial functions to be adequately segregated. However, the Corporation must either staff key functions or establish mitigating controls in order to reduce the risk for errors.

Management's Response:
The Corporation will explore the feasibility of expanding or augmenting the finance staff to facilitate an appropriate separation of duties.

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Washington Convention Center Authority

Fixed Assets Not Reconciled

The Authority has a separate fixed assets module within its accounting system that tracks the organization's fixed assets and calculates the related depreciation expense. The Authority is not reconciling its fixed asset account balances on a consistent basis. Our testing revealed the Authority failed to update the fixed assets system for the audit adjustments of fiscal year 2005. However, the general ledger did reflect the adjustments.

The fixed assets system should reconcile to the general ledger. We recommend that the Authority consider assigning this reconciliation task to a designated individual who can monitor that when an asset is capitalized, the expense must be removed from the books.

Management's Response:
Beginning February 2007, an employee was dedicated to reconcile the fixed asset accounts and depreciation expenses monthly. The Authority will also begin the transfer of current fixed asset purchases on a monthly basis beginning with period 7 after the accountant is fully trained on the fixed assets and general ledger modules. In addition, the Authority is in the process of procuring an outside consultant to inventory the current fixed assets in August 2007.

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Status of Prior Year Observations

Process, Entity, or Fund	Nature of Prior Year Comment	Current Year Status
Grants Management	Maintenance of Medicaid Clients' Files – Multiple Files	Not Repeated.
Grants Management	Maintenance of Medicaid Clients' Files – Agreement of Information	Not Repeated.
Medicaid/Health Care Safety Net	Outstanding Audits – New Provider Claims	Reportable Condition.
Medicaid/Health Care Safety Net	Outstanding Audits – Financial Data	Reportable Condition.
Payroll Related Disbursements	Missing Documents	Not Repeated.
Payroll Related Disbursements	MPD Time and Attendance Sheets	Not Repeated.
Payroll Related Disbursements	Terminated Employees – Attribute Testwork	Not Repeated.
Payroll Related Disbursements	Overtime Compensation	Repeated.
Disbursements (other than payroll)	Direct Voucher Payments	Repeated.
Cash Management	Cash Reconciliation Process	Partially Corrected; Repeated.
Cash Management	Authorization for Opening and Closing Bank Accounts	Repeated.
Budget and Planning	Location of Information	Not Repeated.
Budget and Planning	Reprogrammings	Repeated.
Budget and Planning	Intra-District Transactions	Partially Corrected; Repeated.
Budget and Planning	Grant Modifications	Partially Corrected; Repeated.
Revenue Generation and Collection	Cashier Collections	Not Repeated.
Loans Program	Periodic Review of Transactions	Repeated.
Fixed Assets	Capitalization Criteria	Not Repeated.
IT Environment – General Controls	Strategic Planning and Risk Assessments	Partially Corrected; Repeated.

Process, Entity, or Fund	Nature of Prior Year Comment	Current Year Status
IT Environment – General Controls	Logical Access	Partially Corrected; Repeated.
IT Environment – General Controls	Program Change Management	Partially Corrected; Repeated.
IT Environment – Application Controls	Grant Matches and Maintenance of Effort	Not Repeated.
IT Environment – Application Controls	Changes to Employee Master Files	Not Repeated.
IT Environment – Application Controls	Payment Process – Check Writing System	Not Repeated.
IT Environment – Application Controls	Merchandise Return Process	Not Repeated.
IT Environment – Application Controls	Control of Blank Check Stock	Not Repeated.
IT Environment – Application Controls	Tax Rate Table and E-Stars	Not Repeated.
IT Environment – Application Controls	Assessment Processes	Partially Corrected; Repeated.
IT Environment – Application Controls	Wire Transfer Requests	Partially Corrected; Repeated.
IT Environment – Application Controls	Investments	Partially Corrected; Repeated.
Lottery and Charitable Games Control Board	Management of the Physical Environment	Partially Corrected; Repeated.
Lottery and Charitable Games Control Board	Application Maintenance and Software Support	Not Repeated.
Lottery and Charitable Games Control Board	Major Upgrades to Existing Systems	Not Repeated.
Lottery and Charitable Games Control Board	Disaster Recovery Plan	Repeated.
Lottery and Charitable Games Control Board	User Account Management	Repeated.

Process, Entity, or Fund	Nature of Prior Year Comment	Current Year Status
Unemployment Compensation Fund	Reconciling Items on Bank Reconciliations Not Resolved and Removed in a Timely Manner	Not Repeated.
Unemployment Compensation Fund	Tax Receipts Not Recorded in the Tax System in a Timely Manner	Not Repeated.
Anacostia Waterfront Corporation	Installation of an Accounting System or Software	Not Repeated.
Anacostia Waterfront Corporation	Segregation of Duties	Partially Corrected; Repeated.
Anacostia Waterfront Corporation	Budgetary System and Control	Not Repeated.
Anacostia Waterfront Corporation	Contracts Execution/Compliance	Not Repeated.
Anacostia Waterfront Corporation	Introduction of Purchase Orders (PO)	Not Repeated.
Anacostia Waterfront Corporation	Pre-numbering of Processing Vendors	Not Repeated.
Anacostia Waterfront Corporation	Adequacy and Accuracy of Supporting Documentation	Not Repeated.
Anacostia Waterfront Corporation	Review of Bank Reconciliations	Repeated.
Anacostia Waterfront Corporation	Approval of Timesheets	Repeated.
Anacostia Waterfront Corporation	Review of Payroll before Payment	Not Repeated.
Anacostia Waterfront Corporation	Fixed Assets	Partially Corrected; Repeated.
Washington Convention Center Authority	Fund Reconciliations	Not Repeated.
Washington Convention Center Authority	Fixed Assets Reconciliations	Repeated.
Washington Convention Center Authority	Accounts Payable Reconciliations	Not Repeated.
Washington Convention Center Authority	Investments	Not Repeated.
Sports and Entertainment Commission	Cash Flow Analysis	Not Repeated.

Process, Entity, or Fund	Nature of Prior Year Comment	Current Year Status
Sports and Entertainment Commission	Payroll	Not Repeated.
Sports and Entertainment Commission	Procurement	Not Repeated.
Sports and Entertainment Commission	Cash Receipts	Not Repeated.

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