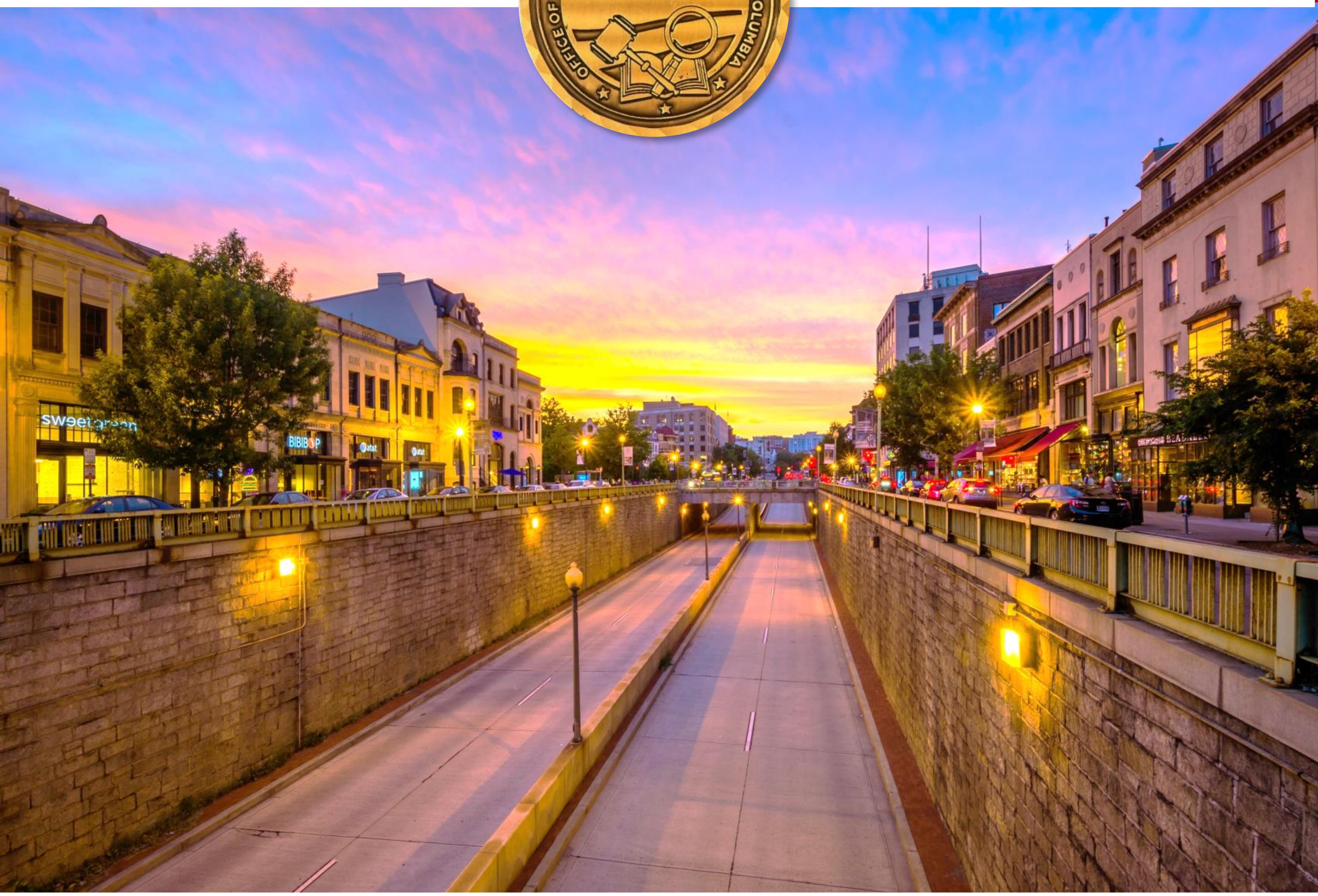
OFFICE OF THE
INSPECTOR GENERAL
DISTRICT OF COLUMBIA GOVERNMENT

AUDIT REPORT

District of Columbia Housing Authority

Management Recommendations
Fiscal Year 2024
OIG No. 24-2-10HY(a)

March 17, 2025



DANIEL W. LUCAS
INSPECTOR GENERAL

OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.

MEMORANDUM

To:	Keith Pettigrew, Executive Director District of Columbia Housing Authority Heather Mueller, Chief Financial Officer District of Columbia Housing Authority Raymond Skinner, Board Chair Stabilization and Reform Board of Commissioners
From:	Daniel W. Lucas Inspector General
Date:	March 17, 2025
Subject:	**District of Columbia Housing Authority Management Recommendations | OIG No. 24-2-10HY(a)**

This memorandum transmits the final report *District of Columbia Housing Authority Management Recommendations* for fiscal year 2024. SB & Company (SBC) provided this report to the Office of the Inspector General as part of the annual audit of the District of Columbia's general-purpose financial statements for fiscal year 2024.

On March 14, 2025, SBC issued 21 recommendations to improve the effectiveness of operational and programmatic internal controls.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

Certified Public
Accountants &
SBC Business Advisors

MANAGEMENT RECOMMENDATIONS LETTER

To the Mayor, Members of the Council of the Government of the District of Columbia,
the Inspector General of the Government of the District of Columbia, and the
Board of Commissioners and Management of the District of Columbia Housing Authority

In planning and performing our audit of the financial statements of the District of Columbia Housing Authority (the Authority), as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States, we considered the Authority's internal controls over financial reporting (internal controls) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls; however, we could not obtain sufficient evidence to express an opinion on the financial statements. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal controls.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did identify material weaknesses and significant deficiencies in internal controls that we reported to you in the schedule of findings and responses included with our report on the internal controls over financial reporting and compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. Also, we identified certain matters involving the internal controls that were not considered material weaknesses or significant deficiencies and other operational matters that are presented for your consideration in this report. This letter does not affect our report dated February 25, 2025, on the financial statements of the Authority. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal controls or result in other operating efficiencies.

We believe that the implementation of these recommendations will provide the Authority with a stronger system of internal controls while also improving its operations. We will be happy to discuss the details of these recommendations with you at your convenience.

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Certified Public Accountants & Business Advisors
SBC

This communication is intended solely for the information and use of management, the Board of Commissioners, the Mayor, Members of the Council of the Government of the District of Columbia, and the Inspector General of the Government of the District of Columbia, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

February 25, 2025
Washington, D.C.

SB & Company, LLC

Management's Overall Response to This Letter

The draft of the FY2024 financial statement audit, which was received by the District of Columbia Housing Authority (DCHA) in February 2025, provided an exhaustive, in-depth assessment of the fiscal year ending September 30, 2024.

DCHA values the draft audit's insights, which restated several issues that were previously identified in the 2022 HUD Report and also brought to light additional weaknesses that must be addressed. The draft audit also underscored that the challenges facing DCHA are threaded throughout systems as a result of more than a decade of mismanagement and neglect. Efforts to correct these foundational flaws began in 2024 following a comprehensive agency evaluation that resulted in the development and issuance of the Three-Year Recovery Plan, which set internal department goals and objectives for remedying inefficiencies and fortifying systems.

DCHA will expand upon these ongoing efforts – work that commenced last year – by incorporating the FY24 auditor's recommendations. Management is committed to improving operations to achieve efficiencies; strengthening policies and procedures governing fiscal analysis, oversight and controls; and engaging internal departments to ensure staff understanding of their roles and responsibilities in ensuring compliance.

As more areas for improvement are discovered, DCHA will reevaluate and refine corrective measures to support our aim to reshape the agency into a competent, efficient and well-functioning provider of low-income and affordable housing in the District.

Observations and Management Recommendations

Tenant Accounts Receivable Allowance Update

Observation
SBC noted that the Authority does not have a methodology to calculate the allowance for doubtful accounts for tenant accounts receivable as of September 30, 2024 and was not based on a methodology considering the current aging of the receivables, whether the tenants are living in the apartment, and past payment history.

Risk
The allowance for doubtful tenant accounts receivables may be understated in the financial statements.

Recommendation
SBC recommends that management establishes a methodology to calculate the allowance for doubtful tenant accounts receivables and use that methodology to adjust the allowance as part of the year-end closing process.

Management's Response
Management acknowledges the auditor's recommendation, however other efforts to address underlying issues that impact the tenant accounts receivables have been in progress since early 2024.

In 2024, Management prioritized the conversion of financial management software to the Yardi system, as well as implementation of processes to address historical data management issues, including missing and incorrect data in our tenant ledgers. Efforts to clean the data included the late 2024 hiring of a Yardi financial consultant who will review every tenant ledger and comparing each to the system. This data scrubbing is time-consuming but necessary to ensure decision-making is based on valid, accurate data. As such, Management is proposing a pause on any write-offs until the data scrub is complete. Management will engage the Board of Commissioners regarding the financial policies established in 2006 to ensure language related to tenants' accounts receivable is updated.

Accounting for Leases and Subscription Based Information Technology Arrangements (SBITA)

Observation
Leases and subscription-based IT arrangements (SBITA) were not properly recorded in the general ledger to account for a new SBITA entered into or for the amortization of the right-of-use asset and related liability for the year.

Risk
Significant lease and IT agreements may not be properly accounted for, leading to misstated financial statements.

Recommendation
SBC recommends that management establish a formal review process to ensure all leases and SBITAs are accurately recorded and reviewed at year-end.

Management's Response
Management acknowledges the auditor's recommendation.

This issue was identified by Management in 2024 and, in response, Management coordinated with IT and Office of Financial Management (OFM) to create and implement the SBITA and lease submission process and journal entry procedures to ensure cross-department alignment. This coordination will allow for the accurate recording and year-end review of all leases and SBITAs.

Identification of Accounts Payable at Year-End

Observation
The Authority's process is to identify accounts payable outstanding at year-end and to review disbursements made after year-end for approximately one month to determine if they should be recorded as an account payable as part of the September 30th year-end close process. They monitor any disbursements after year-end to determine if the amount of subsequent disbursements through the one month that should have been recorded in the prior fiscal year were material. During our audit, we noted material payables that were not recorded through this process as the accounts payable identified after the one month were not recorded.

Risk
Accounts payables and related expenses could be understated at year-end.

Recommendation
SBC recommends that management extend the period for reviewing disbursements made after year to identify amounts that should be included in accounts payable as of year-end for a period longer than one month after year-end to better identify accounts payable at year-end.

Management's Response
Management acknowledges the auditor's recommendation; however, Management disagrees with this observation given the conflicting federal regulations regarding submission of draft closed financial reports to HUD. Management cannot extend the date for disbursements made after year end as the annual HUD deadline for unaudited financials is November 30. Extending the accounts payable for one month for accruals is normal practice for housing authorities around the country as books must close quickly at year end to satisfy HUD's reporting requirements.

In 2024, Management began engaging internal departments to educate them on process and timeline for closing of payables. Management also implemented a notification calendar that issues reminders regarding timely processing of invoices and fiscal year closing date.

Debt Compliance

Observation
We noted that management did not monitor compliance with its debt terms or conclude on its compliance with the terms.

Risk
The Authority may be non-compliant with its debt covenants, potentially leading to misclassification of debt in the financial statements, payment of penalties, or the debt becoming currently payable.

Recommendation
SBC recommends that management implement a formal debt compliance monitoring process.

Management's Response
Management acknowledges the auditor's recommendation. This practice was not in place in 2023, however this issue was identified by Management in 2024.

In 2025, Management established a new Office of Asset Management to oversee the mixed-finance portfolio. OAM and OFM staff will jointly coordinate and implement a debt compliance monitoring process for debt owed to DCHA. OFM will implement a formal debt compliance monitoring process for the agency. This task is a part of both OFM and OAM's recovery plan for calendar year 2025.

In response to the 2022 HUD Report, which found insufficient processes for debt collection, Management has commenced in 2025 solicitation for a third-party collection agency to recoup past landlord debt from the Housing Choice Voucher program.

Accounting for Public-Private Partnership (PPP)

Observation
The deferred inflow of resources related to the PPP for 1133 North Capitol was not properly amortized for the year ended September 30, 2024.

Risk
The deferred inflow related to PPP could be misstated, leading to a misstatement in the financial statement.

Recommendation
SBC recommends that management implement procedures for a standard monthly recurring journal entry to properly amortize the PPP deferred inflow.

Management's Response
Management acknowledges the auditor's recommendation. In 2024, Management identified the lack of entry, engaged prior third-party auditors to help build an amortization schedule, and began researching best practices under GASB 87 for documenting long-term ground leases as opposed to property sales. GASB 87 began with the 2022 audit, which was performed in FY2024. Once research is complete, Management and OFM staff will implement a standardized monthly procedure in FY2025.

Classification of Accounts

Observation
Several accounts were not properly classified at year-end such as liabilities, revenues, and expenses being included in the incorrect line item for financial statement grouping purposes.

Risk
Misclassification of accounts may result in inaccurate or misleading financial statements as amounts in the financial statements may not represent the correct type of liability, revenue, or expense.

Recommendation
SBC recommends that management incorporate a classification review into the closing process, ensure approval and documented support for journal entries are reviewed by another person and arrange general ledger accounts by financial statements groupings.

Management's Response
Management acknowledges the auditor's recommendation.

In 2024, as the financial system software conversion was underway, Management identified the need for updated procedures and staff training on data entry procedures, including classifications. Beginning in 2024, Management in coordination with OFM began ongoing efforts to scrub the data entered into the Yardi system and began continual training sessions with staff on best data entry practices, including monthly, quarterly, and yearly quality control procedures. This will continue moving forward.

Fair Value Accounting of Certificates of Deposit (CDs)

Observation
The Authority accounted for a certificate of deposit investment that was not considered a cash equivalent at historical cost instead of at fair market value.

Risk
The CDs may be misstated if valued at a historical cost instead of fair value as required by accounting principles generally accepted in the United States.

Recommendation
SBC recommends that management record all non-cash equivalent investments at fair value.

Management's Response
Management acknowledges the auditor's recommendation. The CD account agreement, established in 2014, instituted the practice of recording CDs at historical cost. Since then, Management has adhered to this practice, and it did not result in prior audit findings. In 2025, Management will adjust recording practices to align with the auditor's recommendation and engage OFM staff on the implementation of standardized monthly procedures for recording CDs.

Also, in 2025 as a part of OFM's 3-year recovery plan, Management will review and update the financial policies established in 2006 to ensure language related to investment practices and monitoring is updated.

Document Retention

Observation
Management was unable to provide timely supporting documentation for several significant accounts or transactions selected for testing during the audit.

Risk
Incomplete or missing documentation does not allow for review of the accuracy of balances and transactions and increases the risk of undetected fraud or inaccurate financial reporting.

Recommendation
SBC recommends that management review its document retention policy and implement controls to ensure all supporting documentation is properly filed and stored. Management should explore the cost and benefits of implementing an electronic documentation system to ensure documents are properly stored and can be easily retrieved.

Management's Response
Management acknowledges the auditor's recommendation. Document retention is a historical issue that has compounded in recent years by staff turnover and leadership changes. Management had identified this issue and, in 2024, fully implemented a series of document archiving systems and began the ongoing process of digitizing years-old hardcopy materials. Also in 2024, Management began working on a revised document retention policy, which will inform IT's refinement of the series of document archiving systems. In FY 2025, DCHA is creating a new staff position whose primary responsibility will be documenting retention work, including creation and enforcement of policies regarding the same. For purposes of this audit, staff was not able to quickly find historical documents from the past.

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Purchase Card Management Process

Observation
The Authority does not have a formal policy related to the issuance, use, monitoring, responsibility, and approval of purchase cards. The purchase card management process is very manual and lacks a systematic tracking mechanism. There is training required for employees using purchase cards and the ramifications for misuse of the cards.

Risk
Insufficient policies related to the use of purchase cards and lack of properly monitoring of compliance increases the risk of inappropriate purchases or misappropriate use of assets of the Authority.

Recommendation
SBC recommends that the Authority implement a formal process for who is allowed to have and use purchase cards, formal mandatory training to have a card, monitoring of types and amounts of volume on the cards, to monitor compliance with policies related to use and reporting of activity cards, and develop criteria for loss of card privileges.

Management's Response
Management acknowledges the auditor's recommendation. However, Management disagrees in part. Prior Management in 2018 formalized a purchase card policy, which has been provided to the auditors, and is being followed by DCHA. In 2024, Management identified the need to strengthen the purchase card policy and has begun revisions, and as a part of the Office of Administrative Services and Office of Financial Management's recovery plan, in FY2025, Management will finalize updated policy language. Management will coordinate with internal departments to train staff on purchase card policies and procedures.

Purchase Card Approval

Observation
The purchase card approval process is informal, with approvals conducted via email and no systematic tracking.

Risk
Improperly approved transactions could result in unauthorized use of purchase cards.

Recommendation
SBC recommends implementing a formal purchase card approval process with documented tracking of all approvals, review for proper documentation and support of purchases, and timely follow up on unsupported or unapproved transactions.

Management's Response
Management acknowledges the auditor's recommendation. However, Management disagrees in part. Prior Management in 2018 formalized a purchase card policy, which has been provided to the auditors, and is being followed by DCHA. In 2024, Management identified the need to strengthen the purchase card policy and has begun revisions. As a part of the 3-year recovery plan, in FY2025, Management will finalize updated policy language. Management will coordinate with internal departments to train staff on purchase card policies and procedures.

Monitoring Overtime

Observation
We noted instances of overtime charged by certain employees that seemed high and did not have documentation for the reasons for the considerable amounts other than normal approval of time. Management also did not know why the amount of overtime was required.

Risk
Employees may be working more overtime than required or may not be working the overtime charged.

Recommendation
SBC recommends that management enhance its overtime monitoring controls by setting levels of overtime worked by departments and positions that require a higher level of approval so management can determine if the overtime is needed or if changes should be made to levels of staff needed.

Management's Response
Management acknowledges the auditor's recommendation. Management disagrees with this finding but also understands there is always room for improvement. Controls were put in place in FY2024; however, as overtime is only worked following management authorization, which is a requirement of the Collective Bargaining Agreement.

In 2024, authorization of overtime was necessary for essential staff from several departments, notably the Office of Public Safety (OPS) and Property Management Operations (PMO), to account for historical staff vacancies and to ensure critical services were maintained without interruption. Also in 2024, Management engaged OFM to establish periodic overtime reports, which are provided to the Office of the Executive Director (OED) for review. In FY2024 the agency converted to UKG payroll software that requires all hourly employees to clock in and out. All time cards are reviewed and approved by respective managers of the employees working the overtime. In 2025, Management will continue to authorize overtime as needed while recruitment to fill staff vacancies is underway. Management also notes the recruitment and retention challenges facing the law enforcement industry across the country, which significantly impact OPS' staffing and hiring.

Asset Capitalization Policy

Observation
The Authority's capital asset capitalization policy is any asset with a useful life over one year and cost over $5,000.

Risk
Because of the size and type of the Authority's capital assets, it should reevaluate its $5,000 capitalization policy to determine if a higher capitalization threshold could provide more efficiencies and still properly control its capital assets.

Recommendation
SBC recommends that the Authority reevaluate its $5,000, capitalization policy to determine if a higher capitalization amount could provide more efficiencies and still properly control its capital assets considering the size and type of the Authority's capital assets.

Management's Response
Management acknowledges the auditor's recommendation. Management identified this issue in its 2024 Recovery Plan and recognizes the need to update its 2006 financial policies. Policies are set to be updated in 2025. In 2025, Management will update the capital asset capitalization policy to align with auditor's recommendation.

IT Escalated Account Monitoring

Observation
Discussion with IT management revealed that there is no process in place to account for and monitor the use of accounts with escalated permissions.

Risk
An absence of monitoring of the accounts with escalated permissions increases the risk of unintentional errors and/or lack of accountability that may potentially lead to loss of data or a disruption to operations.

Recommendation
SBC recommends that the Authority creates a process to account for and monitor the use of accounts with escalated permissions, including domain administrator accounts and superuser accounts.

Management's Response
Management acknowledges the auditor's recommendation. Management disagrees in part, however, as IT monitors all elevated directory service domain accounts on an ongoing basis. In 2024, Management identified areas to improve the coordination and oversight of such monitoring and plans to implement these updates in 2025.

Disaster Recovery Plan Communication and Testing

Observation
Discussion with IT management concerning backup and recovery controls and procedures indicated that, while a disaster recovery plan is in place, it is not shared with IT staff and is not tested regularly.

Risk
Lack of knowledge of the Disaster Recovery Plan by IT personnel exposes the organization to preventable risk from not being timely in recovering from a breach, leading to an interruption of services and loss of data.

Recommendation
SBC recommends that the Authority review and share the Disaster Recovery Plan with the IT staff and test its plan periodically.

Management's Response
Management acknowledges the auditor's recommendation. Management has had in place a Disaster Recovery Plan, informed by local government Continuity of Operations Plans (COOP), which was updated in 2024.

In 2025, Management is engaging with internal departments to establish and implement an internal and external messaging plan to ensure IT staff receives communications on the COOP and performs annual Disaster Recovery Plan drills.

Penetration Testing

Observation
Discussion with IT management revealed that vulnerability scanning is performed periodically by the Authority's third-party vendor, but penetration testing is not performed annually.

Risk
Lack of penetration testing increases the risk that vulnerabilities will not be identified in a timely manner leading to a potential loss/theft of data or disruption to operations.

Recommendation
SBC recommends that the Authority evaluate the cost and benefit of performing annual penetration testing.

Management's Response

Management acknowledges the auditor's recommendation on penetration testing. Management disagrees, however, that it is not engaged in such activity. The following processes are already in place:

- Ongoing monitoring of device management,
- Monthly reports on device management issues,
- Monthly patching for all devices,
- Weekly vulnerability scans of the network and hosts,
- Weekly compliance scans, and
- Weekly credential scans.

Management identified the need to implement standard security measures, as listed in the Recovery Plan issued in 2024. As discussed with the auditor, Management delayed penetration testing in 2024 while this additional security measures were implemented and instead scheduled penetration testing in 2025.

SOC Report Review

Observation

Discussion with IT management about cloud service provider oversight controls and procedures indicated that a formal process is not in place to review and document the SOC reports provided by the cloud service providers, and to report any deficiencies noted to management.

Risk

Absence of a formal process to review SOC reports increases the risk that weaknesses and deficiencies at the vendor may not be identified, shared with management, or mitigated timely, which may cause a disruption of operations or loss of data.

Recommendation

SBC recommends that the Authority develops and deploys a formal, documented SOC review process and reviews the reports periodically (i.e., annually). Additionally, any deviations or deficiencies that affect the Authority should be shared with management.

Management's Response

Management acknowledges the recommendation. In 2024, Management identified the absence of a formal process for documenting and reviewing SOC reports. To ensure efficiencies, IT in 2024 prioritized updating and implementing internal security systems and improving and implementing cybersecurity processes. As those efforts reach a maturation point, Management will coordinate with IT to establish end-of-year reviews of IT vendors' security measures and reports.

Cybersecurity Strategy and Recovery Plan

Observation
Discussion with IT management revealed that a risk assessment was not performed during the audit period.

Risk
The lack of a risk assessment may result in inappropriate security practices by employees creating the potential for disruption in operations or loss of data. This could lead to a disruption of operations or theft/loss of data.

Recommendation
SBC recommends that the Authority performs a risk assessment annually to evaluate the threats to the organization and strategies to mitigate those threats to an acceptable level. It should also develop a plan of what to do if they have a successful attack and how they will recover to resume operations.

Management's Response
Management acknowledges and agrees that cybersecurity risk assessments are important. Management disagrees with the observation, however, as IT conducts internal risk assessments annually and annually performs a formal risk assessment in conjunction with our cybersecurity insurance provider to identify and address risks. In FY2025, however the agency is placing a solicitation for risk assessment over the entire agency operations, to include IT to ensure best practices are followed across the board.

Vendor Oversight Monitoring

Observation
The Authority does not have a formal oversight process for key third party vendors responsible for its significant technology applications. This process should consider performance, financial viability, security standards, and contract terms.

Risk
Not monitoring vendors who are managing critical applications that enable the Authority to operate increases the risk that the Authority may not timely identify risk associated with the vendor to take risk mitigation actions or look for alternative vendors.

Recommendation
SBC recommends that the Authority develop and implement a vendor oversight and monitoring process, including periodically reviewing contract terms, vendor requirements, vendor security updates and breaches, performance, financial viability, and compliance with contract terms.

Management's Response
Management acknowledges the auditor's recommendation.

DCHA recognizes the importance of maintaining a robust contract management system to mitigate risks associated with vendor oversight and compliance. In FY2025, the Office of Administrative Services (OAS) established an internal contract repository that enables the OAS staff to manage contracts throughout their lifecycle efficiently. Additionally, DCHA is collaborating with the Information Technology Division (ITD) to implement the Yardi Vendor Café module, which will enhance vendor management, vendor visibility, and tracking capabilities.

Furthermore, DCHA, in coordination with Capital Construction Design (CCD) and ITD, has implemented and is scheduling Agency wide training for the new Contractor Performance Evaluation software to ensure consistent and comprehensive vendor assessments, as a part of the 3-year recovery plan.

OAS proactively identifies high-risk vendors via both the SAM.gov and the District of Columbia Disbarment database.

The implementation of these systems and tools strengthens DCHA's ability to identify, assess, and mitigate risks associated with vendor engagement, aligning with best practices and the auditors' recommendations.

Internal Financial Reporting for Senior Management

Observation
There is a lack of internal financial reporting provided to senior management to manage financial condition, financial results, performance measures, status on remediating audit findings, status of implementation of improvement projects and other key financial and related information.

Risk
Without formal reporting to senior management on financial and finance function related projects, senior management cannot monitor the finance performance or whether needed improvements are progressing at an acceptable pace or if additional resources need to be provided in the areas.

Recommendation
SBC recommends that the Authority implement a bimonthly internal financial reporting process to senior management that provides critical financial and finance function related information to senior management to evaluate and manage the financial health and improvements to the finance function of the Authority.

Management's Response
Management acknowledges the auditor's observation. Management disagrees in part, however, as OFM provides internal monthly financial reports to OED and the Board of Commissioners' Finance Committee. OFM also provides a budget-to-actual report monthly to the Board of Commissioners. OFM meets monthly to assess department progress towards goals and objectives as outlined in the 2024 DCHA Recovery Plan. OFM will also establish processes to ensure management and monitoring of all FY24 audit recommendations and findings, and provide regular updates on implementation of management response to OED and Board of Commissioners' Finance Committee. For the first time ever, OFM created an internal budget book for FY2025 shared with management and the Budget and Audit Committee. OFM will continue to expand and make this public for FY2026. OFM will continue on a path of transparency with management and external stakeholders.

Prior Audit Findings and Corrective Action Plan

Observation
Management has not formally addressed or corrected many of the audit findings from the prior year's audit or other reviews related to the finance function and internal controls of the Authority. Also, there is no formal status of progress provided to senior management periodically.

Risk
The lack of monitoring, periodical status reporting, and reporting of the plans to remediate prior findings and implement improvements allows other actions to take priority over implementing improvements to address findings and results in the lack of timely attention to addressing the findings.

Recommendation
SBC recommends that management develop corrective action plans for all audit findings and provide quarterly status updates to senior management on the status and improvements.

Management's Response
Management acknowledges the auditor's recommendation. As stated, DCHA values the draft audit's findings and recommendations. Similar to the 2022 HUD report and the Recovery Plan, the draft audit makes clear that many issues identified in the current and prior audits are embedded into the fabric of DCHA due to years of mismanagement and neglect. Deeply rooted issues may take several years to correct as the full scope of their impact is identified and improvements are rolled out. Moreover, some corrective actions are part of an iterative process, meaning certain improvements must be completed before additional steps can be taken.

Work to improve operational efficiencies and strengthen fiscal oversight began in 2024, laying the foundation for further improvements. During FY2024, DCHA completed the audits of three prior fiscal years (2021-2023) and the full conversion of financial software. Because the audits were completed back-to-back – indeed the FY 2024 audit began while FY 2023 was being completed – there was not time to implement all findings from the 2021-2023 audits prior to commencement of the FY 2024 audit. Management anticipates implementing new processes and updating existing procedures to address or correct findings from past audits, as well as any areas of weakness identified by OFM as part of the Recovery Plan.

DCHA will integrate the auditor's findings and recommendations into ongoing efforts to improve operational efficiencies and strengthen fiscal oversight.

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REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.

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