

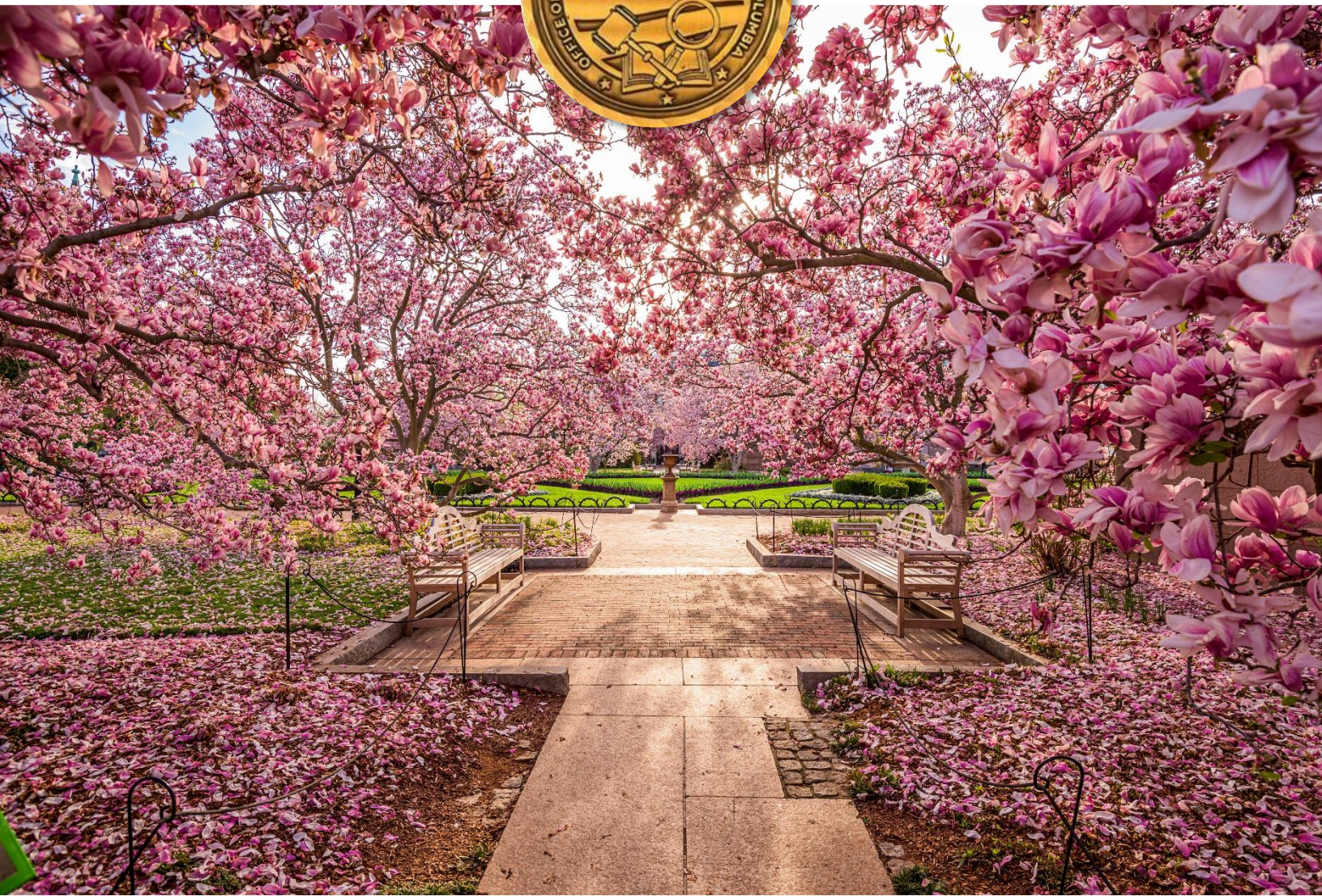
# **RISK ASSESSMENT REPORT**

## **Special Purpose Revenue Funds**

### **Risks that Could Impede the Viability of Non-Tax Revenue**

OIG No. 24-1-06AT

April 7, 2026



**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: Glen Lee  
Chief Financial Officer

From: Daniel W. Lucas  
Inspector General

A handwritten signature in blue ink, appearing to read "D. Lucas", is placed to the right of the name "Daniel W. Lucas".

Date: April 7, 2026

Subject: **Risk Assessment of Special Purpose Revenue Funds | [OIG No. 24-1-06AT](#)**

---

This memorandum transmits our risk assessment report titled: *Special Purpose Revenue Funds*.<sup>1</sup> The engagement's purpose was to identify, analyze, and prioritize risks that could affect the District's non-tax revenue streams associated with Special Purpose Revenue Funds (SPRFs). This engagement was not an audit, and it does not present audit findings, conclusions, or recommendations under Generally Accepted Government Auditing Standards (GAGAS). Its role is to inform OCFO's management about potential exposures that may warrant consideration and response.

### Standards and Framework

We performed this risk assessment using internal control principles in the GAO Green Book, with particular emphasis on Principles 6–9 (define objectives and risk tolerances; identify, analyze, and respond to risks; consider fraud; respond to significant changes) and Principle 16 (perform monitoring activities).<sup>2</sup> We also applied Enterprise Risk Management concepts consistent with the CIGIE ERM Practitioner's Guide (drawing from COSO ERM) to evaluate likelihood and impact, and to assign risk ratings across the portfolio.<sup>3</sup> This engagement was structured as a risk assessment and was not conducted as a performance audit under GAGAS.

---

<sup>1</sup> This risk assessment engagement was included in the OIG FY 2024 Audit and Inspection Plan. As noted in the plan, our objectives with this engagement were to: (1) identify all non-tax revenue activities within the District of Columbia; (2) determine the revenue targets for each activity and program; and (3) assess the financial risk due to loss in revenue.

<sup>2</sup> See US Government Accountability Office, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, DC: U.S. Government Accountability Office, September 2014).

<sup>3</sup> See Council of the Inspectors General on Integrity and Efficiency, *Enterprise Risk Management Practitioner's Guide for Offices of Inspectors General* (Washington, DC: CIGIE, October 2019).

## What Is a Risk Assessment?

A risk assessment is a forward-looking analysis that:

- Identifies inherent and emerging risks that could impede objectives;
- Evaluates likelihood and impact and organizes results into risk profiles;
- Prioritizes areas where vulnerability may exist so management can determine the appropriate risk response (accept, mitigate, avoid, or transfer).

The assessment techniques used include internal-control questionnaires, walkthroughs, and document reviews. We focused on 28 funds (the four largest revenue-generating SPRFs from each of seven appropriation clusters) and classified risks across operational, financial, strategic, and compliance categories.

By contrast, a risk assessment **does not**:

- Determine compliance or issue audit findings, conclusions, or recommendations;
- Require evidence of actual harm, error, or misstatement;
- Represent a judgment on historical performance or solvency;
- Supplant OCFO's responsibilities under the Green Book to design, implement, and monitor internal control.

Instead, it highlights potential exposures so that management can make informed decisions about risk tolerances and responses.

## How OCFO Should Use This Risk Assessment

This assessment offers OCFO a portfolio-level view of potential risks to the District's non-tax revenues and provides a prioritized set of risk ratings to assist in making informed oversight and resource-allocation decisions. In an environment of tightening fiscal resources and increasing operational demands, proactively addressing higher-risk exposures is especially important. The very-high-risk and high-risk assessments identified across the 28 evaluated funds reflect inherent and operational vulnerabilities, not audit findings, and highlight areas where emerging risks—if left unmitigated—could evolve into future control deficiencies or lead to inefficient or avoidable use of limited public resources. By monitoring and, where appropriate, mitigating these risks early, OCFO can strengthen revenue stability and internal control reliability, recognizing that timely preventive action helps avoid more costly corrective measures in the future. The report also identifies legislative-authority documentation risks and outlines a monitoring framework aligned with Green Book Principle 16 to support OCFO's ongoing oversight responsibilities.

## OCFO's Feedback in Context

We appreciate OCFO's careful review and written comments dated March 13, 2026, which appear verbatim in Appendix 3; our consolidated responses are provided in Appendix 4. Where OCFO's feedback references historical solvency, clean financial-statement opinions, or the absence of disruptions, we note that such points are consistent with an audit perspective but do not negate inherent or emerging risk in a risk-assessment context. Disagreement with a risk rating is a valid management prerogative that informs OCFO's risk tolerance and the selection of response strategies; the assessment's role is to surface exposures and facilitate those decisions.

April 7, 2026

---

We appreciate the cooperation extended to our staff throughout engagement and the professional dialogue that followed. If you have any questions, please contact Dr. Slemo Warigon, Assistant Inspector General for Audits, at [slemo.warigon@dc.gov](mailto:slemo.warigon@dc.gov) or 202.792.5684.



# EXECUTIVE SUMMARY

## Risk Assessment of Special Purpose Revenue Funds

### Summary

The District collects more than \$400 million each year in non-tax revenues that support critical programs and services. As part of this risk assessment—not an audit—we reviewed 28 Special Purpose Revenue Funds (SPRFs), representing the largest revenue-generating funds across seven appropriation clusters. Using the internal control and risk-analysis principles in the GAO Green Book and the enterprise risk management methodologies in the CIGIE ERM Practitioner's Guide, we identified, assessed, and prioritized risks that could affect the District's ability to sustain these revenue streams.

Our assessment found that certain SPRFs face vulnerabilities that may reduce revenue stability if not monitored or addressed. These vulnerabilities include missing or incomplete internal control frameworks, inconsistent oversight practices, outdated or inaccurate legislative authorities, and operational gaps such as staffing shortages, dependence on external vendors, and potential inaccuracies in surcharge or fee rate structures. These risks do not represent audit findings or evidence of control failure. Rather, they reflect areas of inherent or emerging risk that could affect revenue collection or financial operations if conditions change or if mitigating controls are not maintained.

### Purpose of This Risk Assessment

The purpose of this assessment was to identify the risks that could impede the District's ability to collect, manage, and safeguard non-tax revenues. Consistent with the Green Book (Principles 6–9), we evaluated the significance and likelihood of potential risk events and scored these exposures using a five-tier, enterprise risk management matrix. This process allowed us to develop a risk profile for each fund and to prioritize risks across the portfolio.

### Risk Categories

The following risk categories provide a structured view of how different types of exposure can affect revenue reliability:

- **Operational risks** are risks that may disrupt the effective and efficient operation of revenue-generating activities (e.g., missing procedures, staffing shortages, reliance on third-party vendors).
- **Financial risks** are risks that may affect the financial viability or stability of revenues (e.g., market volatility, external reimbursement delays, variable fee bases).
- **Strategic risks** are risks that may affect long-term mission achievement or public service delivery (e.g., declining commercial activity, recurring legislative transfers).
- **Compliance risks** are risks related to adherence to statutory or regulatory requirements (e.g., inaccurate or outdated legal authorities).

### Identified Risks and Prioritization

Across the 28 funds, we identified 16 operational risks, nine financial risks, two strategic risks, and one compliance risk. Based on likelihood and impact scoring, four risks were classified as very high and eighteen as high, indicating that a majority of assessed funds face exposures that warrant management's attention. Several funds provided legislative authorities that were outdated, repealed, or incorrect, which—while not evidence of noncompliance—signals a documentation and governance vulnerability requiring routine monitoring.

These results are not judgments on performance; they reflect forward-looking exposures that could affect revenue sustainability if underlying conditions shift or if existing mitigating controls lapse.





# Risk Assessment of Special Purpose Revenue Funds

<b>INTRODUCTION</b> .....	<b>1</b>
Purpose and Scope.....	1
Risk Assessment Framework.....	1
Table 1. Risk Matrix.....	2
Management Responses .....	3
Background .....	3
Office of the Chief Financial Officer (OCFO) .....	3
General Fund and Non-tax Revenue .....	3
Special Purpose Revenue Funds.....	4
<b>ASSESSMENT SCOPE</b> .....	<b>4</b>
General Purpose Non-Tax Revenue Activities.....	4
Special Purpose Revenue Funds (SPRFs) .....	4
Fund Selection.....	5
<b>RISK ANALYSIS RESULTS</b> .....	<b>6</b>
Table 2. Government Direction and Support (four funds evaluated) .....	6
Table 3. Economic Development and Regulation (four funds evaluated) .....	7
Table 4. Public Safety and Justice (four funds evaluated) .....	8
Table 5. Public Education System (four funds evaluated) .....	9
Table 6. Human Support Services (four funds evaluated) .....	10
Table 7. Operations and Infrastructure (four funds evaluated) .....	11
Table 8. Financing and other (four funds evaluated).....	12

<b>LEGISLATIVE AUTHORITY RISKS.....</b>	<b>13</b>
Table 9. Legislative Authorities.....	13
<b>RISK EVALUATION AND PRIORITIZATION.....</b>	<b>15</b>
<b>POTENTIAL RISK RESPONSE OPTIONS.....</b>	<b>17</b>
Table 10. Immediate Actions (Address Very High- and High-Risk Assessments)...	17
<b>MONITORING AND REVIEW FRAMEWORK.....</b>	<b>18</b>
Key Risk Indicators.....	18
Table 11. Proposed Metrics .....	18
Ongoing Monitoring Responsibilities.....	19
Table 12. Monitoring Responsibilities .....	19
Reporting Schedule .....	19
Table 13. Sample Reporting Schedule .....	20
Risk Reassessment Triggers.....	20
Table 14. Risk Reassessment Triggers.....	20
<b>CONCLUSION.....</b>	<b>21</b>
<b>APPENDIX 1. REVENUE PERFORMANCE.....</b>	<b>22</b>
Table A1-1: FY 2023 Revenue Performance by Appropriation Cluster .....	24
Table A1-2: FY 2022 Revenue Performance by Appropriation Cluster .....	24
Table A1-3: Combined FY 2022-2023 Revenue Performance by Appropriation Cluster.....	25
<b>APPENDIX 2. AUTHORITY FOR EXAMINED SPECIAL PURPOSE REVENUE FUNDS     PROVIDED BY OCFO.....</b>	<b>26</b>
<b>APPENDIX 3. MANAGEMENT RESPONSE .....</b>	<b>29</b>
<b>APPENDIX 4. OIG RESPONSES TO OCFO'S COMMENTS.....</b>	<b>31</b>

## INTRODUCTION

### Purpose and Scope

This risk assessment evaluates potential risks that could impact the District's ability to manage and sustain its non-tax revenue streams. It supports informed decision-making and guides the development of strategies to mitigate identified vulnerabilities and strengthen internal controls over the District's special purpose non-tax revenue funds.

The objectives of this risk assessment were to:

1. identify all non-tax revenue activities within the District of Columbia;
2. determine the revenue targets for each program and activity; and
3. assess the financial risk due to loss in revenue.

Our analysis identified 510 non-tax revenue activities (specific revenue-generating functions such as fee collection, permit processing, and fine assessment) and 716 revenue targets (budgeted amounts set for these activities) across fiscal years 2022 through 2023. Some activities have multiple revenue targets because they may have separate targets for each fiscal year or different target categories within the same activity. We performed a risk assessment of 28 special purpose revenue funds—the four largest revenue-generating funds from each of the seven appropriation clusters—representing \$881 million in combined revenue over the two-year period. Through internal control questionnaires, agency walkthroughs, and document reviews, we identified 16 operational risks, nine financial risks, two strategic risks, and one compliance risk.

### Risk Assessment Framework

Our assessment relies on internal control principles reflected in the US Government of Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (GAO Green Book), particularly principles six through nine, which emphasize the importance of defining objectives and risk tolerances, identifying and analyzing risks, considering the potential for fraud, and responding to significant changes that may affect internal controls.<sup>4</sup> The GAO Green Book principles outline standards for internal control and serve as a framework for designing, implementing, and operating effective internal control systems within government agencies.

---

<sup>4</sup> See GAO's *Standards for Internal Control in the Federal Government* (GAO Green Book), GAO-14-704G, September 2014. Principles 6-9 outline the requirements to (6) define objectives and risk tolerances, (7) identify, analyze, and respond to risks, (8) consider the potential for fraud, and (9) identify, analyze, and respond to significant changes affecting the internal control system.

In accordance with GAO Green Book principles six and seven,<sup>5</sup> Table 1 below illustrates our risk matrix that categorizes risk levels. Each risk category used has a consistent definition to establish a shared understanding of what each level means in terms of potential financial impact and operational disruption. For each identified risk, we multiplied the values of likelihood and potential impact to arrive at an overall risk score.

Table 1. Risk Matrix<sup>6</sup>

Impact/ Likelihood	Incidental (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Very Unlikely (1)	Very Low Risk (1)	Low Risk (2)	Low Risk (3)	Low Risk (4)	Moderate (5)
Unlikely (2)	Low Risk (2)	Low Risk (4)	Moderate (6)	Moderate (8)	High (10)
Possible (3)	Low Risk (4)	Moderate (6)	Moderate (9)	High (12)	High (15)
Likely (4)	Low Risk (4)	Moderate (8)	High (12)	High (16)	Very High (20)
Highly Likely (5)	Moderate (5)	High (10)	High (15)	Very High (20)	Very High (25)

Based upon the above matrix, each assessment will fall into one of the following risk profile classifications:

1. **Very Low.** Negligible impact on the performance of key functions and the likelihood of the risk occurrence is **remote** (a 0 – 10 % probability of occurrence).

<sup>5</sup> Principle six states, “Management should define objectives clearly to enable the identification of risks and define risk tolerances,” and Principle seven states, “Management should identify, analyze, and respond to risks related to achieving the defined objectives.”

<sup>6</sup> OIG developed this risk matrix based on the risk management principles and methodologies recommended in the Council of the Inspectors General on Integrity and Efficiency’s (CIGIE) [Enterprise Risk Management Practitioner’s Guide for Offices of Inspectors General](#), CIGIE, at pp. 19-20 (Oct. 2019) (last accessed July 2025) (incorporating methodologies from the Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Enterprise Risk Management - Integrating with Strategy and Performance* (2017)).

2. **Low.** The risk event is **unlikely** to occur (an 11 – 25% chance) and any resulting potential impact to the performance of key functions would be **minor**.
3. **Moderate.** The identified risk event is **possible** (with a 26 – 50% chance) and, if it occurs, it will have a **moderate**, material impact on key functions.
4. **High.** The risk is **highly likely** to occur (a 51 – 90% chance), and its occurrence will result in a **major** degradation of a government activity or role. High-risk assessments require immediate escalation or management intervention.
5. **Very High.** The risk event is almost **certain** to occur (91 – 100% chance) and the impact of that event will be **severe**, impacting the government’s ability to meet one or more goals/objectives, produce deliverables, or reach required levels of performance to meet the mission.

## Management Responses

Following completion of fieldwork, the Office of the Chief Financial Officer (OCFO) reviewed the report and submitted written comments. OCFO’s verbatim response is provided in Appendix 3, and the OIG’s responses to management’s comments are included in Appendix 4.

## Background

### *Office of the Chief Financial Officer (OCFO)*

By law, OCFO has broad authority over the District’s financial resources, including supervising the collection of all taxes, licensing fees, and other revenues; maintaining custody of public funds; and overseeing financial and budgetary functions of the District government.<sup>7</sup> OCFO’s mission is “to enhance the fiscal and financial stability, accountability, and integrity of the Government of the District of Columbia.”<sup>8</sup>

### *General Fund and Non-tax Revenue*

The District of Columbia General Fund accounts for all financial resources except those required to be accounted for in another fund.<sup>9</sup> The General Fund supports virtually all programs and activities, including education, recreation and parks, public safety, housing, and senior and child services.

The General Fund includes non-tax revenues that fall into five main types: (1) fees for business licenses and permits, such as building permits; (2) fees for non-business licenses and permits, such as driver’s licenses and vehicle registration fees; (3) fines and forfeitures, such as traffic

---

<sup>7</sup> [DC Code § 1-204.24a -.26](#).

<sup>8</sup> See OCFO website, <https://cfo.dc.gov/page/about-ocfo>.

<sup>9</sup> [DC Code § 47-373\(2\)\(A\)](#).

enforcement fines; (4) charges for services, such as ambulance fees; and (5) miscellaneous revenues, such as proceeds from the sale of unclaimed property. The DC Lottery is another significant source of General Fund non-tax revenues separate from these five categories. The Office of Lottery and Gaming manages the DC Lottery and transfers proceeds in excess of expenses to the General Fund monthly.<sup>10</sup>

### **Special Purpose Revenue Funds**

Special Purpose Revenue Funds (SPRFs) are comprised of non-tax revenues such as fees, fines, assessments, and reimbursements that are legally restricted for specific purposes. Each SPRF is created through legislation that defines its intended use and establishes the legal authority for revenue collection activities. A single District agency may manage multiple SPRFs, each tied to a different statutory purpose. To understand the risks facing these funds, it is important to understand how they fit within the District's broader financial structure.

OCFO organizes District agencies into appropriations clusters, as they appear in budget legislation approved by Congress. These clusters reflect the categories of services the agencies provide. SPRFs covered in our risk assessment scope came from seven clusters: Government Direction and Support; Economic Development and Regulation; Public Safety and Justice; Public Education System; Human Support Services; Operations and Infrastructure; and Financing and Other.<sup>11</sup>

## **ASSESSMENT SCOPE**

Our assessment identified all non-tax revenue activities within the District of Columbia to establish the scope for risk assessment.

### **General Purpose Non-Tax Revenue Activities**

We identified 262 general purpose non-tax revenue activities and sources in fiscal years 2022 and 2023, organized into five categories: non-business licenses and permits (17 activities); fines and forfeitures (30 activities); business licenses and permits (34 activities); charges for services (65 activities); and miscellaneous revenues (116 activities). We also identified eight lottery and gaming activities.

### **Special Purpose Revenue Funds (SPRFs)**

For both fiscal years 2022 and 2023, we identified 240 SPRFs distributed across seven appropriation clusters: Government Direction and Support (46 funds); Operations and

---

<sup>10</sup> [DC Code § 36-601.12\(c\)](#).

<sup>11</sup> See, e.g., [Fiscal Year 2023 Budget Support Act of 2022](#), D.C. Law 24-0167, effective September 21, 2022. Our review did not include the Enterprise and Other Funds appropriation because it uses tax dollars to fund programs and operations and is not non-tax revenue.

Infrastructure (79 funds); Human Support Services (34 funds); Public Education System (33 funds); Public Safety and Justice (20 funds); Economic Development and Regulation (15 funds); and Financing and Other (13 funds).

### **Fund Selection**

We selected the four largest revenue-generating SPRFs from each appropriation cluster for intensive evaluation—totaling 28 SPRFs—using internal control questionnaires, agency walkthroughs, and document reviews.

[Risk analysis begins on the next page]

## RISK ANALYSIS RESULTS

Using our risk analysis framework, we identified risks across all seven appropriation clusters, with assessments ranging from low to high priority as detailed in Tables 2 – 8.

*Table 2. Government Direction and Support* (four funds evaluated)

The funds examined in this cluster face significant challenges with staff turnover affecting institutional knowledge and revenue tracking capabilities. All four funds reported extensive training needs that create operational inefficiencies. The Litigation Support Fund is particularly vulnerable to Council actions that redirect fund balances to other purposes (a “legislative sweep”), which could lead to termination of critical staff positions, for example. Additionally, surplus property sales revenues are subject to external market fluctuations beyond District control. The following table summarizes the highest priority risks identified for each fund.

Fund	Risk(s)	Likelihood	Impact	Score	Risk Level
OAG Litigation Support Fund	Lower-than-projected revenue due to the timing of settlements and judgments and legislative sweeps could disrupt mission critical operations	4	3	12	High
OCTO DC Net Services and Innovation Fund	Untimely revenue collection from federal and nonprofit customers who provide essential services, limiting the District's collection enforcement options and potentially impacting fund operations	4	3	12	High
OCFO Central Collection Unit Delinquent Debt Fund	Staff turnover impacts institutional knowledge and the quality of collections by the external contractor, reducing the District's ability to recover delinquent debts	4	3	12	High
OCP Surplus Property Sales Fund	Lack of contingency planning for global events that disrupt surplus property operations could halt revenue generation and property disposition activities	3	3	9	Moderate

### Key Risk Drivers:

- Staff turnover - All four funds reported training needs due to personnel changes

- Missing risk frameworks - Litigation Support Fund lacks structured internal risk assessment
- External dependencies - Federal funding and customer payment constraints create revenue collection challenges
- Forecasting weaknesses – Cluster-wide revenue volatility (79-percentage point change) indicates inadequate projection controls across Government Direction and Support funds.

**Table 3. Economic Development and Regulation** (four funds evaluated)

The funds examined in this cluster show the most significant control gaps in our assessment. Three of the four funds lack formal internal control risk assessment processes, and oversight mechanisms are inconsistent across the cluster. Business Improvement Districts (BIDs) have a complex oversight arrangement, as BIDs operate as quasi-governmental entities with limited District oversight despite collecting surcharges through District tax administration. Other funds struggle with undefined evaluation criteria and inconsistent review protocols. The following table summarizes the highest priority risks identified for each fund.

Fund	Risk	Likelihood	Impact	Score	Risk Level
Business Improvement Districts Collection and Disbursement of BID Taxes	Limited District oversight of quasi-governmental entities using public tax collection mechanisms	5	4	20	Very High
DHCD Unified Fund	Lack of formal internal control risk assessment process	4	3	12	High
OCTFME Special Account Fund	Inconsistent review protocols and undefined evaluation criteria	4	3	12	High
DMPED Special Account	Inadequate documentation of internal control procedures	3	3	9	Moderate

**Key Risk Drivers:**

- Missing risk frameworks - Three funds lack formal internal control assessment processes
- Inconsistent oversight - No uniform internal control framework across cluster funds
- Infrequent policy reviews - Three of four funds conduct infrequent policy and procedures reviews, creating potential policy gaps

- Structural oversight gaps - BIDs operate with limited District oversight despite collecting surcharges through District tax administration

**Table 4. Public Safety and Justice** (four funds evaluated)

The funds examined in this cluster face significant financial risks stemming from dependency on external reimbursements and revenue uncertainty, creating potential cash flow issues. The following table summarizes the highest priority risks identified for each fund.

Fund	Risk	Likelihood	Impact	Score	Risk Level
OUC Emergency and Non-Emergency Number Telephone Calling Systems Fund	Under-reporting of fees owed by telecommunications service providers	4	5	20	Very High
DOC Reimbursement Fund	Delayed federal reimbursements strain budget and operations	4	4	16	High
FEMS Reform Fund	Third-party billing contractor performance affects ability to meet \$24M revenue threshold	4	4	16	High
MPD Overtime Reimbursement Fund	Revenue variability could create fund shortfalls which affect public safety around special events in the District	3	4	12	High

**Key Risk Drivers:**

- External dependencies - Reliance on reimbursements creates cash flow risks
- Third-party billing risks - External vendors control critical revenue collection processes

**Table 5. Public Education System** (four funds evaluated)

The funds examined in this cluster show concerning gaps in oversight participation and staffing capacity that compromise financial controls. Two of the four funds failed to submit required Internal Control Questionnaires, limiting our ability to fully assess risks and indicating weak control environments. The funds that did respond reported staffing shortages that prevent adequate secondary reviews of complex financial calculations. Additionally, one fund faces recurring legislative appropriations that reduce available resources for oversight activities. The following table summarizes the highest priority risks identified for each fund.

Fund	Risk	Likelihood	Impact	Score	Risk Level
DOES Unemployment and Workforce Development Administrative Fund	Lack of control environment - non-responsive to risk assessment requests	5	4	20	Very High
OCFO Universal Paid Leave Fund	Lack of control environment - non-responsive to risk assessment requests	5	4	20	Very High
DC Public Charter School Board Fund	Recurring legislative appropriations reduce available fund balance for oversight activities	4	3	12	High
DOES Administration Fund	Employer insolvency affects fund revenue	3	4	12	High

**Key Risk Drivers:**

- Weak control environments - Non-responsive agencies indicate inadequate oversight frameworks
- Recurring appropriations - Legislative transfers reduce fund balances available for operations

**Table 6. Human Support Services** (four funds evaluated)

The funds examined in this cluster demonstrate mixed oversight practices, with most funds conducting monthly independent reviews but significant gaps in risk assessment procedures and documentation protocols. One fund lacks both internal and external risk assessment processes, creating substantial control vulnerabilities. Additionally, some funds have inadequate coordination mechanisms and insufficient documentation of approval protocols. The following table summarizes the highest priority risks identified for each fund.

Fund	Risk	Likelihood	Impact	Score	Risk Level
Health Occupations Regulation Fund	No written policies, procedures, or documentation protocols governing the fund	5	3	15	High
DDS Contribution to Cost of Supports Fund	Outdated policies and procedures create operational gaps (no updates since 2010-2015)	5	3	15	High
DBH Opioid Abatement Fund	No risk assessment performed due to recent change in operational status	3	3	9	Moderate
DHCF Individual Insurance Market Affordability and Stability Fund	Revenue variability due to external customer behavior patterns	3	2	6	Low

**Key Risk Drivers:**

- Missing risk assessments - One fund lacks both internal and external risk evaluation procedures
- Documentation gaps - Insufficient formal documentation and approval protocols
- New fund oversight - Recently operational funds lack established risk assessment procedures

**Table 7. Operations and Infrastructure** (four funds evaluated)

The funds examined in this cluster show systemic weaknesses in monitoring and control mechanisms. All four funds report conducting periodic reviews, but none have defined the frequency of these reviews, creating inconsistent oversight. Two funds lack internal control monitoring strategies, representing significant gaps in revenue protection. The undefined review schedules diminish the effectiveness of existing controls and create accountability gaps. The following table summarizes the highest priority risks identified for each fund.

Fund	Risk	Likelihood	Impact	Score	Risk Level
DOEE Sustainable Energy Trust Fund	No strategy to monitor internal controls for revenue protection	5	3	15	High
WMATA Parking Meter Fund	No internal control evaluation in place	5	3	15	High
PSC Agency Fund	Customer payment defaults and late payments create revenue shortfalls and operational burdens	4	3	12	High
DISB Securities and Banking Trust Fund	Infrequent policy reviews and lack of risk evaluations create strategic planning gaps	3	3	9	Moderate

**Key Risk Drivers:**

- Customer payment challenges – Late payments create revenue shortfalls and operational burdens
- Missing monitoring strategies - Two funds have no internal control monitoring mechanisms
- Policy maintenance gaps – Funds conduct infrequent policy reviews

**Table 8. Financing and other** (four funds evaluated)

The funds examined in this cluster show concerning gaps in risk awareness and revenue allocation accuracy. Most funds in this cluster do not have formal risk assessment procedures, suggesting weak internal control awareness and insufficient risk management frameworks. The cluster also faces operational challenges with potentially incorrect rate structures and revenue misallocation issues that affect compliance and service delivery. The following table summarizes the highest priority risks identified for each fund.

Fund	Risk	Likelihood	Impact	Score	Risk Level
DDOT Tax and Surcharge on Motor Vehicle Fuels	Incorrect surcharge rate allocation affects revenue distribution to receiving agencies	3	5	15	High
DDOT Local Revenue Transfer Fund	Lack of risk identification and internal control monitoring creates potential operational gaps	4	3	12	High
DDOT Pepco Cost-Sharing Fund (DC Plug)	Inadequate risk identification and assessment procedures	3	3	9	Moderate
OCFO Debt Service Reserve Fund	Weak risk awareness suggests insufficient internal control framework	4	2	8	Moderate

**Key Risk Drivers:**

- Weak risk awareness – Multiple funds inadequately identified risks, indicating insufficient internal control frameworks and inadequate risk assessment procedures
- Rate allocation accuracy issues - Incorrect surcharge rate allocation affects proper revenue distribution to receiving agencies
- Internal control monitoring gaps – Lack of systematic internal control monitoring creates potential operational vulnerabilities

## LEGISLATIVE AUTHORITY RISKS

Our review of the list of laws and regulations OCFO cited as authority for the 28 sampled SPRFs revealed an issue affecting 13 funds across multiple appropriation clusters.<sup>12</sup> The citations referenced incorrect, outdated, repealed, or expired legislative authorities, introducing documentation and governance risks related to maintaining current statutory authority. The absence of a routine process to monitor and update governing statutes exposes the District to potential audit findings, legal challenges, and operational disruptions. The following table identifies the specific funds affected by this legislative authority compliance risk.

**Table 9. Legislative Authorities**

Fund	Issue Identified	Risk	Likelihood	Impact	Score	Risk Level
OCP Surplus Property Sales Fund	Incorrect	Provided incorrect, outdated, repealed, or expired legislative authority	4	4	16	High
OCFO Central Collection Unit Delinquent Debt Fund	Incorrect					
Business Improvement Districts Collection and Disbursement of BID Taxes	Incorrect					
DMPED Special Account	Outdated; Expired; Repealed					
DOES Unemployment and Workforce Development Administrative Fund	Incorrect					
DC Public Charter School Board Fund	Incorrect					
Health Occupations Regulation Fund	Incorrect					
DDS Contribution to Cost of Supports Fund	Incorrect					
FEMS Reform Fund	Incorrect					

<sup>12</sup> See Appendix 2 for the list of authorities provided by OCFO.

April 7, 2026

Fund	Issue Identified	Risk	Likelihood	Impact	Score	Risk Level
DOEE Sustainable Energy Trust Fund	Incorrect					
DDOT Pepco Cost-Sharing Fund (DC Plug)	Incorrect					
DDOT Local Revenue Transfer Fund	Incorrect; Expired					
OCFO Office of Finance and Treasury Debt Service Reserve Fund	Incorrect					

## RISK EVALUATION AND PRIORITIZATION

Based on our risk analysis framework, we evaluated 28 SPRFs and identified risks ranging across all five priority levels. The following summary organizes the highest priority assessments by risk level to help prioritize management response and resource allocation.

Priority	Risk Level	Fund	Risk Description
1	Very High	Business Improvement Districts Collection and Disbursement of BID Taxes	Limited District oversight of quasi-governmental entities using public tax collection mechanisms
2	Very High	OUC Emergency and Non-Emergency Number Telephone Calling Systems Fund	Under-reporting of fees owed by telecommunications service providers
3	Very High	DOES Unemployment and Workforce Development Administrative Fund	Lack of control environment - non-responsive to risk assessment requests
4	Very High	OCFO Universal Paid Leave Fund	Lack of control environment - non-responsive to risk assessment requests
5	High	Legislative Authority Risk (See Table 9)	SPRFs provided apparently incorrect, outdated, repealed, or expired legislative authorities
6	High	DOC Reimbursement Fund	Delayed federal reimbursements strain budget and operations
7	High	FEMS Reform Fund	Third-party billing contractor performance affects ability to meet \$24M revenue threshold
8	High	DDOT Tax and Surcharge on Motor Vehicle Fuels	Incorrect surcharge rate allocation affects revenue distribution to receiving agencies
9	High	DOEE Sustainable Energy Trust Fund	No strategy to monitor internal controls for revenue protection
10	High	WMATA Parking Meter Fund	No internal control evaluation in place
11	High	DDS Contribution to Cost of Supports Fund	No written policies, procedures, or documentation protocols governing the fund
12	High	Health Occupations Regulation Fund	No written policies, procedures, or documentation protocols governing the fund

Priority	Risk Level	Fund	Risk Description
13	High	OAG Litigation Support Fund	Lower-than-projected revenue due to the timing of settlements and judgments and legislative sweeps could disrupt mission critical operations
14	High	OCFO Central Collection Unit Delinquent Debt Fund	Staff turnover impacts institutional knowledge and the quality of collections by the external contractor
15	High	OCTO DC Net Services and Innovation Fund	Untimely revenue collection from federal and nonprofit customers who provide essential services, limiting the District's collection enforcement options and potentially impacting fund operations
16	High	DHCD Unified Fund	Lack of formal internal control risk assessment process
17	High	OCTFME Special Account Fund	Inconsistent review protocols and undefined evaluation criteria
18	High	PSC Agency Fund	Customer payment defaults and late payments create revenue shortfalls and operational burdens
19	High	MPD Overtime Reimbursement Fund	Revenue variability could create fund shortfalls which affect public safety around special events in the District
20	High	DDOT Local Revenue Transfer Fund	Lack of risk identification and internal control monitoring creates potential operational gaps
21	High	DC Public Charter School Board Fund	Recurring legislative appropriations reduce available fund balance for oversight activities
22	High	DOES Administration Fund	Employer insolvency affects fund revenue

## POTENTIAL RISK RESPONSE OPTIONS

Based on our risk evaluation, OCFO may consider implementing targeted mitigation strategies to address the systemic control weaknesses identified across the District's special purpose revenue portfolio.

*Table 10. Immediate Actions (Address Very High- and High-Risk Assessments)*

Major Objective	Actions For Consideration
<b>Address Critical Revenue Collection Gaps</b>	<ul style="list-style-type: none"> <li>✓ Implement automated audit procedures to detect telecommunications fee under-reporting</li> <li>✓ Ensure timely and complete responses to all OIG information requests and internal control assessments</li> <li>✓ Create systematic monitoring of federal reimbursement timing and amounts</li> </ul>
<b>Ensure Legal Compliance Framework</b>	<ul style="list-style-type: none"> <li>✓ Conduct comprehensive legal review of all 240 SPRF legislative authorities within 180 days</li> <li>✓ Establish formal process for ongoing monitoring of legislative changes affecting SPRFs</li> <li>✓ Implement automated alerts for amendments, repeals, or sunset provisions affecting fund authorities</li> <li>✓ Require legal certification before establishing new SPRFs or modifying existing fund purposes</li> </ul>
<b>Establish Missing Control Frameworks</b>	<ul style="list-style-type: none"> <li>✓ Require documented internal control evaluations for all funds currently lacking formal assessments</li> <li>✓ Implement standardized risk assessment procedures across all funds within 90 days</li> <li>✓ Develop uniform review frequency standards and enforce consistent application</li> </ul>
<b>Strengthen Oversight of High-Risk Operations</b>	<ul style="list-style-type: none"> <li>✓ Establish formal oversight mechanisms for Business Improvement Districts</li> <li>✓ Create clear performance standards and monitoring for third-party billing contractors</li> <li>✓ Implement systematic monitoring of revenue allocation accuracy and compliance</li> </ul>

## MONITORING AND REVIEW FRAMEWORK

To ensure the effectiveness of implemented risk treatments and maintain ongoing oversight of special purpose revenue funds, the District should establish a systematic monitoring and review framework with defined responsibilities, metrics, and reporting schedules.

Given our identification of systemic control weaknesses—including funds lacking formal risk assessments and non-responsive agencies failing to participate in oversight processes—the District will benefit from monitoring mechanisms specifically designed to track improvement in these areas and prevent regression. The proposed metrics focus on the control deficiencies this assessment identified rather than generic performance indicators.

### Key Risk Indicators

The GAO Green Book, Principle 16 (*Perform Monitoring Activities*), states that “management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.” Principle 16.04 specifically requires management to establish ongoing monitoring activities that are built into entity operations and designed to assess the quality of performance over time.

For Special Purpose Revenue Funds, key risk indicators serve as early warning signals that enable proactive identification of control breakdowns, revenue collection issues, and operational inefficiencies before they result in significant financial losses or compliance violations.

The following metrics target the specific control gaps identified in our assessment and serve as early warning signals for potential control breakdowns:

*Table 11. Proposed Metrics*

Key Risk Indicator	What to Measure
<b>Legal Authority Status</b>	Percentage of SPRFs with current, valid legal authorities and documented legal review dates
<b>Rate Review Frequency</b>	Frequency of reviews to ensure current market alignment and adequate revenue collection
<b>Revenue Collection System Reliability</b>	Accuracy of fee collection processes, including detection of under-reporting and timely collection from external parties
<b>Risk Assessment Completion Rate</b>	Percentage of SPRFs with documented internal control procedures and formal risk assessments
<b>Third-Party Oversight Compliance</b>	Percentage of external billing contractors meeting established performance standards

## Ongoing Monitoring Responsibilities

For Special Purpose Revenue Funds, clearly defined monitoring responsibilities ensure systematic oversight at multiple organizational levels, creating accountability structures that address the control gaps we identified and enable rapid response to emerging risks.

Based on our assessment, we suggest the following:

*Table 12. Monitoring Responsibilities*

Party	Responsibilities
<b>OCFO Leadership</b>	<ul style="list-style-type: none"> <li>• Quarterly review of risk indicator dashboard</li> <li>• Annual certification of SPRF control effectiveness</li> <li>• Annual certification of legal authority for all SPRFs</li> <li>• Exception reporting for funds exceeding risk thresholds</li> <li>• Oversight of non-responsive agencies and control framework implementation</li> </ul>
<b>Individual Fund Managers</b>	<ul style="list-style-type: none"> <li>• Monthly self-assessment of control implementation</li> <li>• Immediate reporting of identified control breakdowns</li> <li>• Quarterly submission of risk indicator data</li> <li>• Timely completion of required risk assessments and documentation</li> </ul>
<b>Quality Assurance Function</b>	<ul style="list-style-type: none"> <li>• Semi-annual independent validation of reported metrics</li> <li>• Annual comprehensive risk reassessment of high-priority funds</li> <li>• Periodic testing of implemented controls</li> <li>• Verification of third-party contractor performance standards</li> </ul>

## Reporting Schedule

Green Book Principle 14 (*Communicate Internally*), requires that management communicate quality information down, across, up, and around reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. Principle 14.08 emphasizes that management should select appropriate communication methods to ensure quality information is communicated “throughout the entity on a timely basis.”

For SPRFs, a structured reporting schedule ensures that risk information flows systematically to decision-makers at appropriate intervals, enabling proactive management and timely corrective action when control deficiencies or revenue variances are identified.

Table 13. Sample Reporting Schedule

When to Report	What to Report
Monthly	Fund manager risk indicator submissions, revenue collection and allocation accuracy reports
Quarterly	OCFO leadership risk dashboard review, individual fund performance against targets, control compliance attestations
Semi-annually	Independent validation and testing results, updated risk assessments for funds showing performance degradation
Annually	Comprehensive portfolio risk reassessment, certification of SPRF control effectiveness, legal authority compliance certification, updated monitoring procedures

### Risk Reassessment Triggers

Green Book Principle 9 (*Identify, Analyze, and Respond to Change*), requires that management “identify, analyze, and respond to significant changes that could impact the internal control system.” Principle 9 states that management should identify and analyze the impact of risks related to “changes on the internal control system and respond[] by revising the . . . system on a timely basis to maintain its effectiveness.”<sup>13</sup>

For Special Purpose Revenue Funds, predetermined reassessment triggers ensure that risk evaluations are updated promptly when conditions change, preventing outdated risk profiles from undermining the effectiveness of control activities and oversight procedures.

Table 14. Risk Reassessment Triggers

Trigger Event	Reassessment Action Required
<b>New funds established or existing funds significantly modified</b>	Complete risk assessment within 90 days of implementation
<b>Major staffing changes in fund management positions</b>	Review control procedures and update risk profiles within 60 days
<b>Technology systems upgraded or replaced</b>	Evaluate impact on revenue tracking and control effectiveness

<sup>13</sup> This language was included in section 9.04 of the Green Book in effect for the audit period and is now found in section 9.11 of the 2025 edition of the Green Book.

Trigger Event	Reassessment Action Required
<b>Regulatory or policy changes affecting fund operations</b>	Assess changes to compliance requirements and revenue projections
<b>Control failures or fraud incidents identified</b>	Immediate comprehensive reassessment of affected funds and related controls

## CONCLUSION

This risk assessment evaluated the District's special purpose revenue funds to identify vulnerabilities that could impact the collection and management of hundreds of millions of dollars in non-tax revenues. Our analysis of 28 funds—the four largest revenue-generating funds from each of the seven appropriation clusters—revealed systemic control weaknesses that require immediate management attention.

The assessment identified four very high-risk exposures and 18 high-risk exposures affecting most evaluated funds. Notably, our review revealed that OCFO provided 13 thirteen funds (46% of the sample), representing a systemic compliance risk that undermines the legal foundation for fund operations.

Overall, the identified risks stem primarily from missing internal control frameworks, non-responsive agencies that fail to participate in oversight processes, and critical operational gaps such as inadequate third-party oversight and inconsistent policy review procedures. Without corrective action, these vulnerabilities expose the District to potential revenue losses, compliance violations, and reduced funding for essential services that residents depend on.

The immediate actions we suggest provide a clear roadmap for addressing the most critical control gaps through targeted interventions that can be implemented quickly. Key priorities include establishing mandatory participation requirements for non-responsive agencies, implementing formal risk assessment procedures across funds lacking such frameworks, and strengthening oversight of third-party billing contractors, implementing automated monitoring to detect fee under-reporting.

The monitoring and review framework establishes ongoing accountability measures to track improvement and prevent future control deterioration. The proposed metrics directly target the specific control deficiencies identified in our assessment, enabling early identification of emerging risks as fund portfolios and operating environments evolve.

By addressing these risks, the District can strengthen its special purpose revenue management and ensure reliable funding for critical District programs and activities while maintaining compliance with federal internal control standards.



## APPENDIX 1. REVENUE PERFORMANCE

This appendix provides analysis of revenue performance across all Special Purpose Revenue Fund appropriation clusters for fiscal years 2022 and 2023. The performance data reveals significant variations in revenue collection effectiveness and highlights clusters where control weaknesses may be contributing to persistent underperformance or concerning volatility.

Revenue performance serves as a key indicator of operational effectiveness and internal control strength. Consistent underperformance may indicate collection issues, forecasting problems, or systemic operational challenges, while extreme volatility suggests potential control weaknesses in revenue projection and management processes. Conversely, sustained positive performance, while generally favorable, requires scrutiny to ensure accuracy and appropriateness of collection methods.

The analysis examines three performance perspectives: individual fiscal year results (Tables A1-1 and A1-2) and combined two-year performance (Table A1-3). The combined analysis provides the most reliable indicator of systematic performance issues by reducing the impact of one-time events or timing anomalies that may affect single-year results.

Key findings from this performance analysis directly informed the risk assessments presented in the main report, with revenue volatility and persistent underperformance serving as evidence supporting identified control weaknesses and operational risks.

*Table A1-1: FY 2023 Revenue Performance by Appropriation Cluster*

Appropriation	Actual \$K	Target \$K	Var \$	Var %
Government Direction and Support	54,206	39,294	14,912	38%
Economic Development and Regulation	53,813	73,287	(19,474)	-27%
Public Safety and Justice	28,774	33,650	(4,876)	-14%
Public Education System	57,220	61,883	(4,663)	-8%
Human Support Services	48,301	18,090	30,211	167%
Operations and Infrastructure	110,549	99,679	10,870	11%
Financing and Other	107,736	115,985	(8,249)	-7%
<b>Total</b>	<b>460,599</b>	<b>441,868</b>	<b>18,731</b>	<b>4%</b>

*Table A1-2: FY 2022 Revenue Performance by Appropriation Cluster*

Appropriation	Actual \$K	Target \$K	Var \$	Var %
Government Direction and Support	30,259	39,618	(9,359)	-24%
Economic Development and Regulation	78,489	68,309	10,180	15%
Public Safety and Justice	37,126	40,758	(3,632)	-9%
Public Education System	36,826	72,842	(36,016)	-49%
Human Support Services	24,565	20,980	3,585	17%
Operations and Infrastructure	105,176	102,558	2,618	3%
Financing and Other	108,130	112,216	(4,086)	-4%
<b>Total</b>	<b>420,571</b>	<b>457,281</b>	<b>(36,710)</b>	<b>-8%</b>

*Table A1-3: Combined FY 2022-2023 Revenue Performance by Appropriation Cluster*

Appropriation	Actual \$K	Target \$K	Var \$	Var %
Government Direction and Support	84,465	78,912	5,553	7%
Economic Development and Regulation	132,302	141,596	(9,294)	-7%
Public Safety and Justice	65,900	74,408	(8,508)	-11%
Public Education System	94,046	134,725	(40,679)	-30%
Human Support Services	72,866	39,070	33,796	86%
Operations and Infrastructure	215,725	202,237	13,488	7%
Financing and Other	215,866	228,202	(12,336)	-5%
<b>Total</b>	<b>881,170</b>	<b>899,150</b>	<b>(17,980)</b>	<b>-2%</b>



## **APPENDIX 2. AUTHORITY FOR EXAMINED SPECIAL PURPOSE REVENUE FUNDS PROVIDED BY OCFO**

RISK ASSESSMENT OF SPECIAL PURPOSE REVENUE FUNDS | OIG NO. 24-1-06AT

April 7, 2026

#	Fund Name	OCFO Provided Authority	Appropriation Title
1	OAG Litigation Support Fund	D.C. Code § 1-301.86b	Government Direction and Support
2	OCTO DC Net Services and Innovation Fund <sup>14</sup>	D.C. Code § 1-1432	
3	OCP Surplus Property Sales Fund <sup>15</sup>	D.C. Code § 2-358.05	
4	OCFO Central Collection Unit Delinquent Debt Fund <sup>16</sup>	D.C. Code § 1-350.04	
5	Business Improvement Districts Collection and Disbursement of BID Taxes <sup>17</sup>	D.C. Code § 2-1215.15(h)	Economic Development and Regulation
6	DMPED Special Account <sup>18</sup>	D.C. Code § 2-1225.21	
7	OCTFME Special Account Fund	D.C. Code § 34-1252.03	
8	DHCD Unified Fund	D.C. Code § 42-2857.01	
9	DOC Reimbursement Fund <sup>19</sup>	D.C. Code § 1-325.21	Public Safety and Justice
10	OUC Emergency and Non-Emergency Number Telephone Calling Systems Fund <sup>20</sup>	D.C. Code § 34-1802	
11	FEMS Reform Fund	D.C. Code § 5-416 (c)(1)	
12	MPD Overtime Reimbursement Fund <sup>21</sup>	D.C. Code § 47-2826(e)(1)	
13	DOES Administration Fund <sup>22</sup>	D.C. Code § 32-1541	Public Education Systems
14	DOES Unemployment and Workforce Development Administrative Fund <sup>23</sup>	DC Code § 51-114(d)(1)	
15	Public Charter School Board Fund <sup>24</sup>	DC Code § 38-1802.14 (g-1)	
16	OCFO Universal Paid Leave Fund <sup>25</sup>	D.C. Code § 32-551.01	
17	Health Occupations Regulation Fund <sup>26</sup>	DC Code § 7-733	Human Support Services
18	DDS Contribution to Costs of Supports Fund <sup>27</sup>	DC Code § 7-761.05c	
19	DBH Opioid Abatement Fund <sup>28</sup>	D.C. Code § 7-3221	
20	DC Health Care Finance Individual Insurance Market Affordability & Stability Fund	D.C. Code § 47-5107	
21	DOEE Sustainable Energy Trust Fund	D.C. Code § 8-1774.10(a)(1)	Operations and Infrastructure
22	WMATA Parking Meter Fund	D.C. Code § 50-2603(8)(A)	
23	PSC Agency Fund <sup>29</sup>	D.C. Code § 34-912	

<sup>14</sup> OCFO provided us with this fund name: DC Net Services Support Fund  
<sup>15</sup> OCFO provided us with this fund name: DC Surplus Personal Property Sales Operation Fund  
<sup>16</sup> OCFO provided us with this fund name: Central Collection Unit (CCU) O Type Revenue Fund  
<sup>17</sup> OCFO provided us with this fund name: Business Improvements Districts Transfer  
<sup>18</sup> OCFO provided us with this fund name: AWC & NCRC Redevelopment Fund  
<sup>19</sup> OCFO provided us with this fund name: Corrections Trustee Reimbursement Fund  
<sup>20</sup> OCFO provided us with this fund name: 911 & 311 Assessments Fund  
<sup>21</sup> OCFO provided us with this fund name: MPD Miscellaneous Fund  
<sup>22</sup> OCFO provided us with this fund name: Workers' Compensation Administrative Fund  
<sup>23</sup> OCFO provided us with this fund name: UI Administrative Assessment Fund  
<sup>24</sup> OCFO provided us with this fund name: PCSB Administrative Fees Fund  
<sup>25</sup> OCFO provided us with this fund name: Universal Paid Leave Administration Fund  
<sup>26</sup> OCFO provided us with this fund name: Board of Medicine Fund  
<sup>27</sup> OCFO provided us with this fund name: Cost of Care - Non-Medicaid Clients Fund  
<sup>28</sup> OCFO provided us with this fund name: Opioid Abatement Report Fund  
<sup>29</sup> OCFO provided us with this fund name: Operating - Utility Assessment Fund



#	Fund Name	OCFO Provided Authority	Appropriation Title
24	DISB Securities and Banking Trust Fund <sup>30</sup>	D.C. Code § 26-510.02	
25	DDOT Pepco Cost-Sharing Fund (DC Plug)	D.C. Code § 1-325.331	<b>Financing and Other</b>
26	DDOT Local Revenue Transfer Fund	D.C. Code § 9-111.01(a)	
27	DDOT Tax and Surcharge on Motor Vehicle Fuels <sup>31</sup>	D.C. Code § 47-2301(a-1)(1)	
28	OCFO Office of Finance and Treasury Debt Service Reserve Fund <sup>32</sup>	D.C. Code § 47-392.13	

---

<sup>30</sup> OCFO provided us with this fund name: Securities and Banking Fund

<sup>31</sup> OCFO provided us with this fund name: PayGo-Capital Gas Surcharge Revenue Fund

<sup>32</sup> OCFO provided us with this fund name: Repayment of Loans & Interest Public Space Rental Fees (Debt Svc.) Fund





## APPENDIX 3. MANAGEMENT RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER



March 13, 2026

Dr. Slemo Warigon  
Assistant Inspector General for Audits  
Office of the Inspector General  
100 M Street, S.E., Suite 1000  
Washington, DC 20003

Dear Dr. Warigon:

Thank you for the opportunity to respond to the *OIG's Draft Report: Financial Risk Assessment of Non-Tax Revenues* [OIG No. 24-1-06AT]. The OCFO's responses are provided below:

**OIG Report page 5**

“OAG litigation support fund- lower than projected revenue due to timing of settlements and judgements and legislative sweeps could disrupt mission critical operations.”

**GOC RESPONSE**

*OAG - Timing difference can cause operational disruption. However, GOC implemented compensating control for such instances. As a result, such instances are well mitigated, managed, and service disruptions did not occur in the past. GOC disagrees with this risk assessment, the likelihood, impact and risk level.*

**OIG Report page 5**

***OCTO DC Net Services and innovation Fund***

“Untimely revenue collection from federal and nonprofit customers who provide essential services, limiting the District's collection enforcement options and potentially impacting fund operations”

**GOC RESPONSE**

*GOC disagrees with the risk assessment, including the stated risk, likelihood, impact, and overall risk level.*

*Management notes that no substantive testing was conducted to support the conclusion presented in this section. Absent sufficient and appropriate audit evidence, the basis for the risk determination is unclear.*

*Historically, the Fund has remained solvent, and its operations have been fully supported by available financial resources. The OCTO DC Net Billing Division performs customer billing in a timely manner, actively follows up on collections, and reports all billing and collection activity to the Office of the Chief Financial Officer (OCFO) for financial reporting purposes.*

*Both the financial and operational aspects of the Fund are proactively managed. There have been no instances in which billing or collection activities adversely affected the Fund's ability to carry out its operations.*

*Based on the Fund's sustained solvency, effective billing and collection processes, and absence of operational disruption, management does not concur with the assessment of elevated risk or the associated likelihood and impact ratings.*

#### **OIG Report page 5**

“Lack of contingency planning for global events that disrupt surplus property operations could halt revenue generation and property disposition activities”

#### **GOC RESPONSE**

This is a program function, OCFO have no oversight responsibility in this area.

#### **OIG Report page 8**

1. OCFO Universal Paid Leave Fund. “Lack of control environment - non-responsive to risk assessment requests “
2. DOES Administration Fund “Employer insolvency affects fund revenue”

#### **GOC RESPONSE**

1. *GOC disagrees with the risk assessment conclusion related to the control environment.*

*While it is accurate that the audit survey was not submitted by the initial deadline due to delays within the agency program area, management subsequently provided the completed response upon issuance of the first draft report. The delay was procedural in nature and does not reflect a deficiency in the control environment.*

*GOC further notes that Generally Accepted Government Auditing Standards (GAGAS) do not support presuming elevated risk solely due to delayed client correspondence.*

*The assessment, as presented, does not appear to align with applicable GAGAS guidance concerning unresponsive or delayed responses. Specifically:*

*a. Upon receipt of the agency's response, the Office of Inspector General (OIG) could have evaluated the information provided and either cleared the control environment risk or refined its assessment in the subsequent draft report. This approach would have been consistent with GAGAS requirements to consider relevant and sufficient evidence prior to finalizing conclusions.*

*b. OIG could have performed alternative audit procedures or considered relevant work performed by other independent auditors. The fund is subject to annual financial statement audits as part of the Annual Comprehensive Financial Report (ACFR) process and has consistently received an unmodified (clean) audit opinion, with no reported control environment deficiencies.*

*c. If OIG determined that the timing of the response constituted a limitation, the appropriate course of action under GAGAS would have been to disclose a scope limitation and modify the report accordingly, rather than concluding heightened control risk without sufficient evidentiary basis.*

*For these reasons, GOC maintains that the control environment risk assessment is not supported by the applicable auditing standards or the totality of available audit evidence.*

**2. GOC disagrees with the risk assessment related to the solvency of the DOES Workers' Compensation Administration Fund.**

*The Fund has not experienced employer solvency issues. As of the end of Fiscal Year (FY) 2025, the Fund reported approximately \$34 million in deferred revenues, reflecting a stable financial position.*

*Additionally, OCFO fiscal staff actively monitor revenue trends and fund performance on an ongoing basis to ensure that expenditures remain aligned with available resources. This oversight process is designed to ensure that Fund operations are fully supported and financially sustainable.*

*Based on the Fund's financial status and continuous fiscal monitoring, management does not concur with the conclusion that a solvency risk exists.*

**OIG Report page 12**

**Legislative Authority Risks**

“OCFO cited authority for 28 samples revealed issues affecting 13 funds. The citations referenced incorrect, outdated, repealed, or expired legislative authorities, creating legal and operational risks and calling into question whether these funds are properly authorized.”

## **GOC Response**

*GOC disagrees with the statement and associated risk conclusions related to the OCP Surplus Property Sales Fund and the DOES Unemployment and Workforce Development Administrative Fund.*

*These two funds were included among the 13 funds identified by OIG as having incorrectly cited legal authorities by OCFO. Management provides the following clarification:*

*First, the legal authorities provided by the respective agencies are accurate and appropriately reflect the statutory basis for the establishment and operation of the funds.*

*Second, even assuming, for the sake of argument, that an incorrect statutory citation was referenced in certain documentation, there is no logical or operational correlation between the cited DC Code provision and the manner in which these funds are established, administered, managed, or monitored for compliance. A citation discrepancy, if any, does not alter the funds' legal standing, operational framework, or oversight structure.*

*Importantly, neither fund has experienced legal challenges, operational deficiencies, or authorization issues since establishment. There is no evidence demonstrating that the cited authority issue resulted in noncompliance, financial mismanagement, or control weaknesses.*

*Accordingly, management does not concur with the classification of these funds as high risk based solely on the referenced authority concern, as such a conclusion is not supported by evidence of actual legal, operational, authorization risk or other logical and relevant criteria.*

### **Appendix 1.**

#### Revenue Performance by Appropriation Cluster

“The performance data reveals significant variations in revenue collection effectiveness and highlights clusters where control weaknesses may be contributing to persistent underperformance or concerning volatility. Revenue performance serves as a key indicator of operational effectiveness and internal control strength. Consistent underperformance may indicate collection issues, forecasting problems, or systemic operational challenges, while extreme volatility suggests potential control weaknesses in revenue projection and management processes.”

## **GOC Response**

*GOC disagrees with the risk assessment. The variance between projected revenue estimates and actual collections does not, in and of itself, indicate revenue underperformance, operational inefficiency, or a control weakness. Revenue estimates are inherently based on assumptions and projections that may fluctuate due to economic conditions, timing differences, policy changes, or other external factors. Such variances are not uncommon and should not be interpreted as indicators of elevated risk absent supporting evidence.*

*Furthermore, management finds no logical or evidentiary correlation between the cited revenue variances and the risks identified elsewhere in the report. The presentation of this analysis may lead readers to infer a relationship that has not been substantiated through data-driven evaluation.*

*GOC maintains that risk conclusions should be supported by relevant, sufficient, and appropriate evidence directly linked to the identified risk factors. In this instance, the potential risks described appear to be speculative and not grounded in a comprehensive analysis of data relevant to the stated risk areas.*

*Accordingly, management does not concur with the characterization of revenue variances as indicative of risk or control deficiencies.*

*OIG Report (page 12): The Business Improvement Districts Collection and Disbursement of BID Taxes Risk Level assessed as Very High due to limited District oversight of quasi-governmental entities using public tax collection mechanisms.*

**EDRC Response:** We do not agree. The District collects these funds on behalf of the BIDs and reimburses them back. The BIDs are separate non-profit entities, and the level of District oversight is outlined in the legislation creating the BIDs. In accordance with legislation, the OCFO is not responsible for how BID dollars are spent. Any risk related to the lack of District oversight is inherent in the governing legislation.

*OIG Report (Pages 12): DHCD Unified Fund Risk Level assessed as High due to the lack of a formal internal control risk assessment process.*

**EDRC Response:** We do not agree. OCFO policies and procedures are generally reviewed annually. The policies and procedures related to cash management and invoice processing include adequate internal controls that would prevent or detect material errors or irregularities in revenue collections or disbursements. Revenue is monitored on a quarterly basis through the Financial Review Process. Given the lack of materiality of this fund, any further assessment of risk specific to this fund is not warranted.

*OIG Report (pages 12): OCTFME Special Account Fund Risk Level assessed as High due to inconsistent review protocols and undefined evaluation criteria.*

**EDRC Response:** We do not agree. OCFO policies and procedures are generally reviewed annually. The policies and procedures related to cash management and invoice processing include adequate internal controls that would prevent or detect material errors or irregularities in revenue collections or disbursements. The OCFO analyzes revenue related to this fund at a minimum on an annual basis and reviews this analysis at least quarterly during the Financial Review Process. This process would identify any risk of a material reduction in revenue.

*OIG Report (page 12): DMPED Special Account Fund Risk Level Assessed as Moderate due to the inadequate documentation of internal control procedures.*

**EDRC Response:** We do not agree. Internal controls over cash management and invoice processing are documented in the District-wide policies and procedures. These policies and

procedures include adequate internal controls that would prevent or detect material errors or irregularities in revenue collections or disbursements.

***OIG Report (page 13): OUC Emergency and Non-Emergency Number Telephone Calling Systems Fund Risk Level assessed as Very High due to the risk of under-reporting fees owed by telecommunications service providers.***

**PSJC Response:** While we understand that there is inherent risk with the merit-based billing system for the Providers for the E911 fund, we do believe that adherence to applicable DC code 34-1803, management oversight, independent audits, and reconciliation all helped mitigate this risk. There is no benchmark to justify a potential loss of revenues since the billing is based on the service level activities and has been audited and remained consistent during the scope of the audit. We highly recommend that the narratives of the risk assessment be worded as a management observation as opposed to a material risk.

***OIG Report (page 13): FEMS Reform Fund Risk Level assessed as High due to the use of a third-party billing contractor performance affects ability to meet \$24M revenue threshold.***

**PSJC Response:** The PSJC acknowledges that there will be inherent risk in using a third-party vendor to collect and bill for Ambulance services. However, our Office of Contracts and Procurement have a rigorous vetting policy in place for choosing a vendor. Monthly reconciliation is done to verify the collections and these numbers passed independent audit conducted at year-end. We are asking that the narratives of the risk assessment to be modified so it would not be construed as material risk.

***OIG Report (pages 16): The Public Service Commission (PSC) Agency Fund Risk Level was assessed as High due to risk of customer payment defaults and late payments create revenue shortfalls and operational burdens.***

**EDRC Response:** As stated during the exit meeting, and in written response previously provided, we do not agree with the risk assessment likelihood of 4 out of 5 since the agency historically has a very high collectability rate (FY 2024 100%, FY 2023 100%, and FY 2022 100%), and the entities assessed are very stable businesses. In addition, if utility companies do not pay, there are consequences to them, including penalties. Also, there are no economic indicators or new laws or regulations that lead us to believe that the assessed utility companies would go out of business, which could justify the high-risk assessment of 4 (likely) out of 5. In summary, we agree that there is inherent risk based on the agency's reliance on assessment funds, but the risk likelihood is very low.

***OIG Report (pages 16): DISB Securities and Banking Trust Fund Risk Level assessed as Moderate due to infrequent policy reviews and lack of risk evaluations create strategic planning gaps.***

**EDRC Response:**

This is a programmatic issue, and the agency has been made aware and is working to review and update the policy.

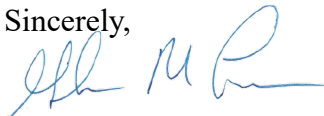
**LEGISLATIVE AUTHORITY RISKS**

*OCFO Report (page 18): Our review of the list of laws and regulations OCFO cited as authority for the 28 sampled SPRFs revealed an issue affecting 13 funds across multiple appropriation clusters. The citations referenced incorrect, outdated, repealed, or expired legislative authorities, creating legal and operational risks and calling into question whether these funds are properly authorized.*

**EDRC Response:** As it relates to the Business Improvement and the DMPED Special Account Funds, the inclusion of the inaccurate legislation on the list was solely a documentation error. The correct legislation is, and has been, properly applied to the relevant programs. These are not newly passed legislation, and the agency did not rely on the documentation provided to the audit team when applying the legislation. Instead, the appropriate legislation has been in place and consistently applied to the programs since inception.

If you have any questions or require additional information, please contact Timothy Barry, Executive Director, OCFO's Office of Integrity and Oversight.

Sincerely,

A handwritten signature in blue ink, appearing to read "Glen Lee".

Glen Lee



## APPENDIX 4. OIG RESPONSES TO OCFO'S COMMENTS

OCFO provided comments on our draft report on March 13, 2026. Their verbatim response appears in Appendix 3. This appendix provides our consolidated responses to those comments. In summary, after carefully reviewing OCFO's comments, we conclude that the original risk ratings remain appropriate. We explain our reasoning for each fund below.

**1. OAG Litigation Support Fund**

We acknowledge OCFO's explanation regarding compensating controls and the absence of past service disruptions. However, the assessment considers the inherent variability of settlement timing and the potential for legislative sweeps. These external factors introduce uncertainty that may affect revenue stability and operational planning.

**2. OCTO DC Net Services & Innovation Fund**

We acknowledge OCFO's description of the fund's historical solvency and billing practices. However, the risk assessment evaluates inherent and operational risks, including reliance on external customers and limited enforcement mechanisms for federal and nonprofit entities. These risks remain present despite past stability.

**3. OCP Surplus Property Sales Fund**

We recognize OCFO's point that this is a programmatic function. However, the risk assessment considers risks to revenue generation regardless of program ownership. The absence of contingency planning for external disruptions remains a relevant operational risk.

**4. OCFO Universal Paid Leave Fund**

OCFO ultimately provided the requested information; however, the delay limited our ability to fully evaluate the control environment during the assessment period. This rating does not characterize a control deficiency but reflects the importance of timely responsiveness in risk assessment activities. The risk classification remains appropriate.

**5. DOES Administration Fund**

We acknowledge OCFO's description of the fund's current financial position. Nonetheless, external factors—such as employer solvency and broader economic conditions—remain relevant considerations that could affect future revenue. For these reasons, the current rating remains appropriate.

**6. Revenue Performance Analysis**

We agree that revenue variances may occur for legitimate reasons. However, in a risk assessment context, significant variances serve as indicators that may point to potential operational or forecasting risks. Variances alone are not treated as control deficiencies but as factors warranting further attention.

**7. BID Collection & Disbursement Fund**

We acknowledge the statutory framework that limits District oversight of BIDs. Nonetheless, because BIDs rely on District tax systems for assessments and collections, governance and oversight risks remain inherent. These risks relate to assessment accuracy, collection integrity, timely disbursement, and accountability.

**8. DHCD Unified Fund**

We acknowledge the existence of District-wide policies and periodic reviews. However, the information provided during the assessment did not demonstrate a fund-specific, formalized internal control risk assessment process. While general controls contribute to establishing an overall control environment, they do not clearly show how risks specific to this fund are identified and evaluated.

**9. OCTFME Special Account Fund**

We acknowledge OCFO's monitoring efforts; however, the assessment identified inconsistencies in review protocols and the absence of clearly defined evaluation criteria.

**10. DMPED Special Account Fund**

District-wide internal control policies are noted; however, the assessment did not find fund-specific documentation demonstrating how those controls are applied.

**11. OUC Emergency & Non-Emergency Number Fund**

We acknowledge the mitigating controls described by OCFO, including statutory requirements, oversight mechanisms, and independent audits. However, reliance on self-reported billing data introduces inherent risks related to completeness and accuracy. Consistent with our original intent, we are not characterizing this as a material financial reporting risk or a control deficiency. Rather, it is identified as an operational and financial risk within the context of this assessment. The intent our risk assessment is to highlight areas of dependency and exposure that warrant continued monitoring or oversight.

**12. FEMS Reform Fund**

We acknowledge the controls OCFO described, including the vendor selection process, ongoing reconciliations, and independent audit coverage. However, the fund's reliance on a third-party billing contractor introduces inherent risks related to billing accuracy, revenue variability, and vendor performance. These factors present a risk that could affect revenue reliability. The nature of this assessment does not identify a material financial reporting risk or a control deficiency. Rather, the purpose of this rating is to highlight operational exposure that warrants ongoing monitoring.

**13. PSC Agency Fund**

We recognize the fund's historically strong collectability. However, the risk assessment considers the possibility of future external changes—such as market or regulatory shifts—that could alter revenue stability.

**14. DISB Securities & Banking Fund**

OCFO's ongoing policy review efforts are noted. Nonetheless, the assessment reflects conditions during the review period.

**15. Legislative Authority Risks – Multiple Funds**

OCFO's clarifications are noted; however, the inaccurate or outdated statutory citations provided during the assessment indicate weaknesses in documentation accuracy and governance processes. Even if operational impacts did not occur, accurate legal authority is essential for transparency, accountability, and compliance.

[This page is intentionally blank.]



## REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

(202) 724-TIPS (8477) and (800) 521-1639



<https://oig.dc.gov>

[oig@dc.gov](mailto:oig@dc.gov)

### STAY UP TO DATE



[instagram.com/OIGDC](https://www.instagram.com/OIGDC)



[x.com/OIGDC](https://x.com/OIGDC)



[facebook.com/OIGDC](https://facebook.com/OIGDC)



Sign-up for email/text updates from OIG