

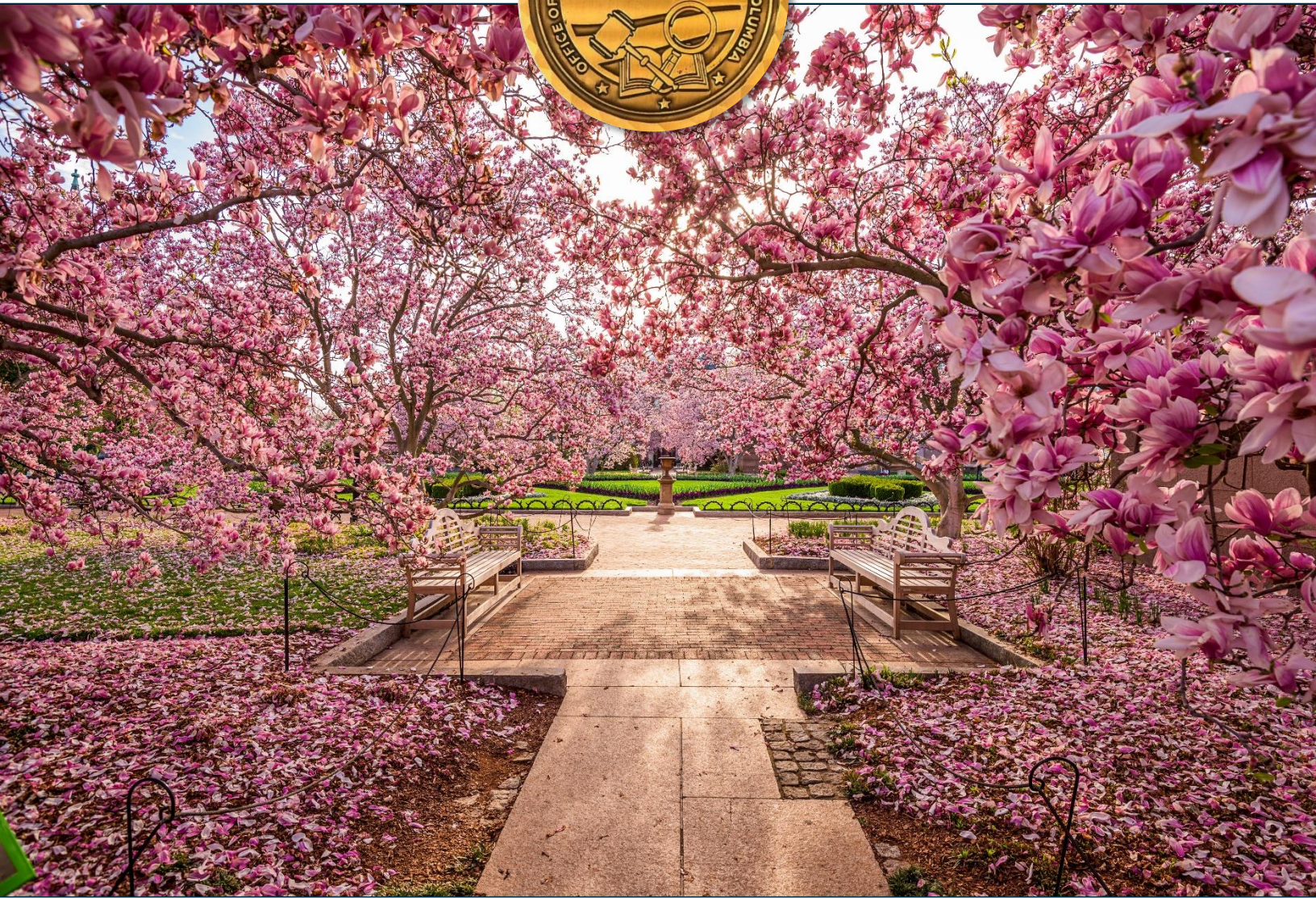
AUDIT REPORT

District of Columbia Government

Annual Financial Statements and Independent Auditor's Reports
Fiscal Year 2025

OIG No. 25-1-01MA

January 30, 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: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas 
Inspector General

Date: January 30, 2026

Subject: **District of Columbia Government Annual Comprehensive Financial Report | OIG No. 25-1-01MA**

This memorandum transmits the final *District of Columbia Government Independent Auditor's Reports on the Annual Comprehensive Financial Report* for fiscal year 2025. CliftonLarsonAllen LLP (CLA) provided these reports 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 2025.

On January 23, 2026, CLA issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States. In the attached reports, CLA identified one material weakness related to the Housing Production Trust Fund and provided three recommendations for corrective action. CLA also issued nineteen additional recommendations aimed at strengthening internal controls over District of Columbia operations and programs (see *OIG Report No. 25-1-1MA(a)*).

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



INDEPENDENT AUDITORS' REPORT

The Mayor and the Council of the Government of the District of Columbia, and
The Inspector General of the Government of the District of Columbia
Washington, D.C.

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the "District"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows and the respective budgetary comparison for the General Fund, Federal and Private Resources Fund, and Housing Production Trust Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

The Mayor and the Council of the Government
of the District of Columbia, and
The Inspector General of the Government
of the District of Columbia

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Emphasis of Matter – Correction of an Error and Change in Accounting Principle

As disclosed in Note 1Z, the District restated beginning net position or fund balance due to a correction of an error in the Housing Production Trust Fund and for the implementation of GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to these matters.

The Mayor and the Council of the Government
of the District of Columbia, and
The Inspector General of the Government
of the District of Columbia

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of employer contributions, schedules of changes in net pension liability (asset) and related ratios for the Teachers' Retirement Fund and the Police Officers and Firefighters' Retirement Fund, schedule of employer contributions – Other Postemployment Benefits (OPEB), and schedule of changes in net OPEB liability (asset) and related ratios for the OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended September 30, 2025, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information presented for the general fund, nonmajor governmental funds, fiduciary funds, and supporting schedules, as listed in the table of contents, for the year ended September 30, 2025, are presented for purposes of additional analysis and is not a part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended September 30, 2025, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information for the general fund, nonmajor governmental funds, fiduciary funds and supporting schedules, referred to above, is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended September 30, 2025.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

The Mayor and the Council of the Government
of the District of Columbia, and
The Inspector General of the Government
of the District of Columbia

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The basic financial statements and supplementary information, referred to above, include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended September 30, 2024, from which the summarized information was derived. Those financial statements were audited by another auditor, whose report dated January 24, 2025, expressed unmodified opinions.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
January 23, 2026



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Mayor and the Council of the Government of the District of Columbia, and
The Inspector General of the Government of the District of Columbia
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the "District"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The Mayor and the Council of the Government
of the District of Columbia, and
The Inspector General of the Government
of the District of Columbia

We identified a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the management's response to the findings identified in our audit and described in the accompanying schedule of finding and response. Management's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Arlington, Virginia
January 23, 2026

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
SCHEDULE OF FINDING AND RESPONSE
YEAR ENDED SEPTEMBER 30, 2025**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness identified? ☒ yes ☐ no
 - Significant deficiency identified? ☐ yes ☒ none reported
3. Noncompliance material to financial statements noted? ☐ yes ☒ no

Section II – Financial Statement Findings

2025 – 001

Type of Finding: Restatement of Housing Production Trust Fund Beginning Fund Balance Due to Overstatement of Due From Federal Balances

Condition: Management restated the beginning fund balance of the Housing Production Trust Fund (HPTF) to remove a \$19.3 million due from federal receivable related to American Rescue Plan Act (ARPA) funding previously reported in the FY2024 Annual Comprehensive Financial Report (ACFR). After the DIFS Projects module had closed, \$19.3 million of expenditures initially funded with ARPA resources was reclassified to local funding; however, the associated reduction of the receivable was not recorded. The discrepancy was identified after issuance of the ACFR, and the correcting entry was recorded in FY2025.

Criteria: Accounting principles generally accepted in the United States (GAAP) require that receivables represent enforceable claims and that known reallocations or adjustments affecting prior periods be appropriately reflected as of the reporting date. Errors affecting prior periods must be corrected retroactively through restatement, including adjustment of beginning balances, rather than through current-period activity.

Effect: The due from federal receivable, fund balance, federal contributions, and change in fund balance reported for HPTF in the FY2024 ACFR were materially overstated by \$19.3 million. Recording the correction through FY2025 activity rather than restating FY2024 beginning balances was inconsistent with GAAP, impaired period-to-period comparability

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
SCHEDULE OF FINDING AND RESPONSE
YEAR ENDED SEPTEMBER 30, 2025**

Cause: HPTF incurred \$62.7 million in project expenditures during FY2024 that were initially allocated to ARPA resources. To comply with ARPA obligation and expenditure requirements, the District reallocated \$43.4 million of funding in September 2024 and the remaining \$19.3 million in November 2024. Although expenditures were correctly removed from the ARPA fund, the corresponding receivable remained recorded in HPTF because the November reallocation occurred after the projects module had closed. A lack of effective reconciliation between the projects module and the general ledger allowed the error to remain undetected until after the ACFR was issued.

Recommendation: We recommend that HPTF financial management, in coordination with the Office of Financial Operations and Systems (OFOS):

- Implement controls requiring that post-close reclassifications be processed through system modules or via system-approved procedures that maintain alignment between subledger and general ledger balances.
- Revise the year-end close manual to ensure that material errors identified after close are evaluated under GAAP and restated retroactively when required, including all necessary disclosures.
- Strengthen monitoring of ARPA-related obligation and expenditure deadlines to ensure timely reclassification of funding sources and prevent stranded receivables or interfund imbalances.

Views of responsible officials and planned corrective actions: We concur with the finding. OFOS will review and update the year end closing manual, as needed, to ensure proper procedures are implemented to ensure alignment of the subledger and general ledger balances. Further, training will be provided to all clusters related to the end-to-end process of the projects and grants module and the relationship of this module, and entries that are created, to the general ledger.



REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

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



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