

AUDIT REPORT

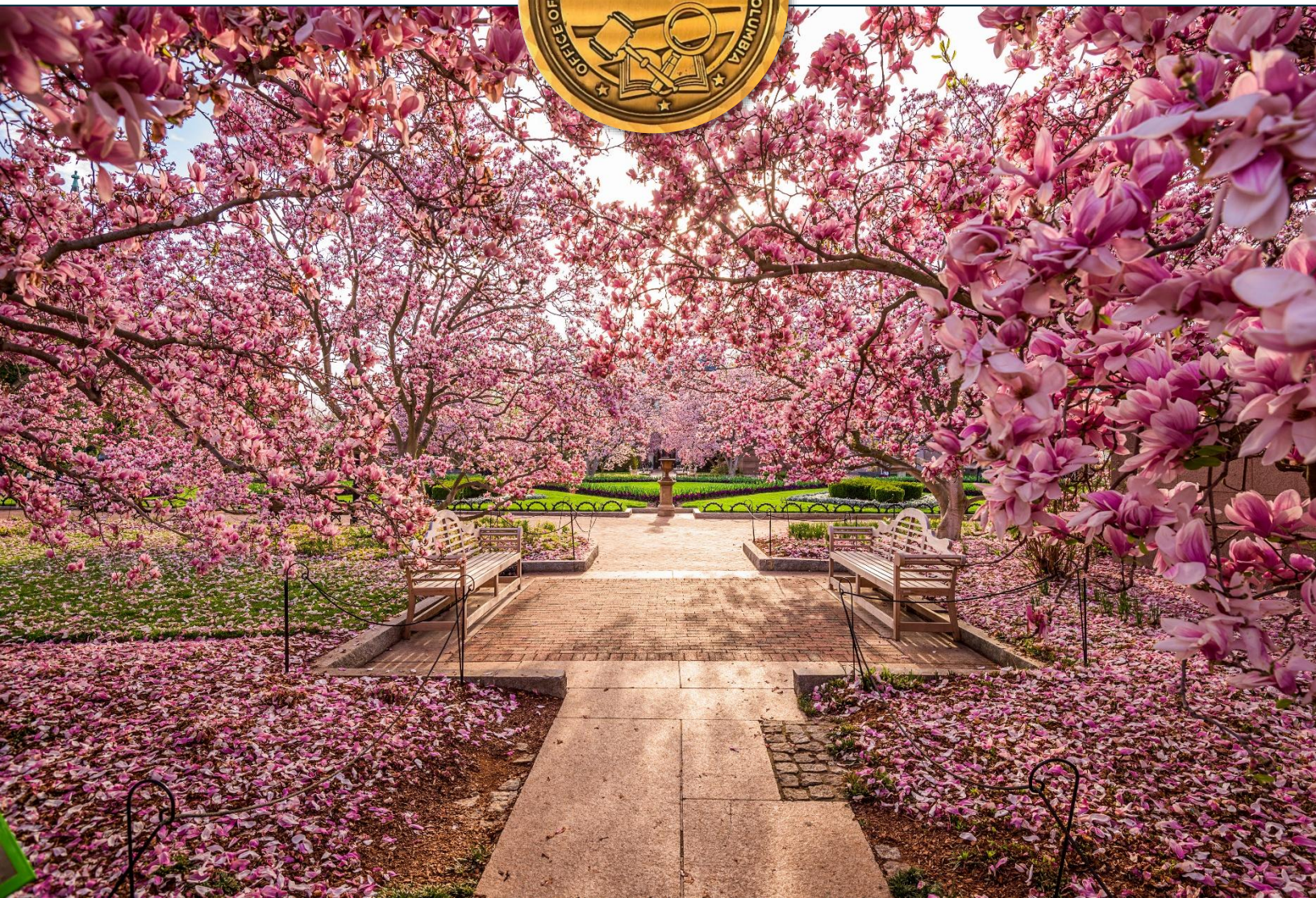
Housing Production Trust Fund

Management Recommendations

Fiscal Year 2025

OIG No. 25-1-05UZ(a)

February 4, 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.

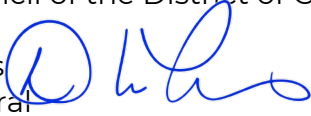


DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

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: February 4, 2026

Subject: **Housing Production Trust Fund Management Recommendations |**
OIG No. 25-1-05UZ(a)

This memorandum transmits the final report *Housing Production Trust Fund Management Recommendations* for fiscal year 2025. CliftonLarsonAllen LLP (CLA) provided this report to the Office of the Inspector General as part of the annual audit of the District of Columbia's general-purpose financial statements for fiscal year 2025.

On January 5, 2026, CLA issued a management letter noting a control deficiency discovered during the audit. CLA provided one recommendation to enhance internal control over financial reporting.

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



Management of the
Housing Production Trust Fund
Washington, DC

In planning and performing our audit of the financial statements of the Government of the District of Columbia Housing Production Trust Fund (the Fund), a special revenue fund of the Government of the District of Columbia, as of and for the year ended September 30, 2025, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

However, during our audit we became aware of a deficiency in internal control other than significant deficiencies and material weaknesses that is an opportunity to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. We previously provided a written communication dated January 5, 2026, on the Fund's internal control. This letter does not affect our report on the financial statements dated January 5, 2026, nor our internal control communication dated January 5, 2026.

We will review the status of these comments during our next audit engagement. We have already discussed this comment and suggestions with various Fund personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Management's written response to the below deficiency has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not provide any assurance on the response.

This communication is intended solely for the information and use of management, the Mayor and Members of the Council of the Government of the District of Columbia, and the Office of the Chief Financial Officer and the Inspector General of the Government of the District of Columbia, and others within the Fund, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
January 5, 2026

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

HPTF-2025-001 Loans Disbursed Were Not Recorded in Correct Accounting Period

During our audit we selected a sample of six (6) new loans recorded by the loan servicer during the fiscal year ended September 30, 2025. For one (1) of the six (6) new loans tested, we noted that the loan was disbursed in fiscal year (FY) 2020 and was recorded in the financial system as loans receivable in FY2020, FY2021, FY2022, but was omitted in FY2023 and FY2024. It was not a reconciling item in FY2025 as it was recorded by the loan servicer during the year.

Accounting principles generally accepted in the United States of America (GAAP) require governmental entities to record financial transactions in the period in which they occur to ensure accurate and complete financial reporting. Additionally, the Office of the Chief Financial Officer accounting policies require that loans and other financial transactions be recorded in a timely manner to reflect all receivables, disbursements and remittances in the proper incurred.

Failure to record loan disbursements in the correct fiscal year resulted in an understatement of loans receivable and deferred inflows in the prior fiscal years, an understatement of loans receivable in the respective fiscal year and each subsequent fiscal year, an understatement of loan remittances in each subsequent fiscal year, and an understatement of fund balance for each of the respective fiscal years and each subsequent fiscal year.

Existing processes at the time of origination and loan disbursements did not ensure adequate coordination between Department of Housing and Community Development (DHCD) staff responsible for executing loan agreements and Housing Production Trust Fund (HPTF) financial management personnel responsible for recording loan activities.

Recommendation:

We recommend that HPTF, in coordination with DHCD:

- Implement a formalized, documented workflow requiring DHCD program staff to notify HPTF financial management personnel immediately upon loan approval and disbursement
- Enhance the periodic reconciliation process between DHCD loan records and HPTF accounting records to ensure all loan activity is captured within the appropriate fiscal period
- Evaluate the feasibility of automated workflows or system integrations to ensure loan disbursement data is transmitted timely and accurately to financial accounting systems
- Provide training to DHCD program staff on timely transactions recording requirements under GAAP and District policy.

Management Response:

DHCD Program Response – Timeliness Submission of Loan Documents:

Agency staff from the Development Finance Division (DFD), Portfolio & Asset Management Division (PAMD) and Office of General Council (OGC) follow an updated Loan Operations workflow. This workflow ensures that all final HPTF loan documents for a given transaction are received by OGC and DFD, reviewed by PAMD and submitted to the agency loan servicer within 30 days of submission of a finalized

Loan Set Up package (inclusive of transactional documents) to the OCFO DHCD team. This process has been updated, memorialized and circulated as standard operating procedures as of late FY2025 to prevent delays in the loan booking process.

OCFO Response – Loan Recording

The OCFO DHCD team maintains a record of loan disbursements for which the loan recordation with the loan servicer is pending. This list is shared monthly with the points of contact in the program who have a role in ensuring that loan documentation is going through the proper workflows. Also, the list is shared with the accountant that performs loan reconciliation so that the loans are included as an adjustment in the loan reconciliation process to record the loans in our financial system and update the outstanding loan balance.

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