

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 20-1-01MA(b)

November 2020



DEPARTMENT OF GENERAL SERVICES AND OFFICE OF THE CHIEF FINANCIAL OFFICER

Audit of the West End Library and Fire Station Maintenance Fund



Guiding Principles

*Workforce Engagement * Stakeholders Engagement * Process-oriented * Innovation
* Accountability * Professionalism * Objectivity and Independence * Communication * Collaboration
* Diversity * Measurement * Continuous Improvement*

Mission

Our mission is to 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.

Vision

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

Core Values

Excellence * Integrity * Respect * Creativity * Ownership
* Transparency * Empowerment * Courage * Passion
* Leadership



EXECUTIVE SUMMARY

WHY WE DID THIS AUDIT

D.C. Code § 1-325.181(e) requires the Office of the Inspector General (OIG) to conduct, on an annual basis, an audit of the West End Library and Fire Station Maintenance Fund (Maintenance Fund) and transmit the audit report to the Mayor and Council of the District of Columbia no later than 90 days after the close of the fiscal year.



OBJECTIVES

The OIG conducted this audit to (1) determine whether the assets, liabilities, fund balance, revenue, and expenditures of the Maintenance Fund were recorded and reported accurately; and (2) identify any Maintenance Fund expenditures that were not permitted under the law.

WHAT WE FOUND

From July 1, 2018, to September 30, 2019,¹ the Office of Tax and Revenue (OTR) within the Office of the Chief Financial Officer (OCFO) deposited \$686,870 in deed and recordation tax revenue into the Maintenance Fund. During the same period, OCFO erroneously deposited \$155,165 in deed transfer and recordation tax revenues into the Maintenance Fund. The errors occurred because OTR did not maintain a complete listing of all new buildings constructed on Lots 836, 837, and 855 in Square 37.² The OIG immediately notified OCFO regarding the erroneous deposits. OCFO acknowledged the errors and is in the process of transferring \$155,165 from the Maintenance Fund to the General Fund.

During the period audited, the Department of General Services (DGS) incurred \$347,417 for West End Library and Fire Station maintenance expenditures. However, DGS did not always review and approve budgets, invoices, and annual statements to ensure Maintenance Fund expenditures' accuracy and completeness.

¹ As the scope of the prior audit of the Fund covered October 1, 2017, through June 30, 2018, the OIG included the last quarter of Fiscal Year (FY) 2018 (July 1 to September 30, 2018) in the FY 2019 review.

² The property tax map for the District includes numbered squares comprised of individual lots.

EXECUTIVE SUMMARY

The review and approval of budgets, invoices, and annual statements are a mechanism to ensure the Maintenance Fund is used solely for maintenance of the West End Library and Fire Station facilities as required by District law.

Also, the OIG noted that the assets, liabilities, and fund balance were not recorded and reported accurately. The Maintenance Fund assets balance was overstated by \$169,001; liabilities were underreported by \$13,836; and the Fund balance was overstated by \$155,165 as of September 30, 2019.

Finally, DGS did not develop policies and procedures for how to expend the Maintenance Fund in accordance with D.C. Code § 1-325.181, as recommended by the OIG in October 2018.

WHAT WE RECOMMEND

The OIG made seven recommendations to OCFO and DGS to implement additional control activities to ensure that the assets, liabilities, fund balance, revenue, and expenditures of the Maintenance Fund are recorded and reported accurately.

MANAGEMENT RESPONSE

OCFO and DGS agreed to six of the seven recommendations.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



November 19, 2020

Keith A. Anderson
Director
Department of General Services
2000 14th Street, N.W., 8th Floor
Washington, D.C. 20009

Jeffrey S. DeWitt
Chief Financial Officer
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, N.W., Room 203
Washington, D.C. 20004

Dear Director Anderson and Chief Financial Officer DeWitt:

Enclosed is our final report, *Audit of the West End Library and Fire Station Maintenance Fund* (OIG Project No. 20-1-01MA (b)). Our audit objectives were to: (1) determine whether the assets, liabilities, fund balance, revenue, and expenditures of the Maintenance Fund were recorded and reported accurately, and (2) identify any Maintenance Fund expenditures that were not permitted under the law. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS). The audit was included in our *Fiscal Year 2020 Audit and Inspection Plan*.

We provided the Department of General Services (DGS) and the Office of the Chief Financial Officer (OCFO) with our draft report on September 29, 2020, and received your responses on October 19, 2020, and October 22, 2020, respectively. We appreciate that DGS and OCFO officials began addressing some of the findings immediately upon notification during the audit. DGS's and OCFO's responses to the draft report are included in their entirety in Appendix E and F, respectively.

We made seven recommendations to DGS and OCFO for actions deemed necessary to correct the identified deficiencies. DGS and OCFO concurred with Recommendations 2-7. DGS's and OCFO'S actions taken and/or planned are responsive and meet the intent of these recommendations. Therefore, we consider these recommendations resolved but open pending evidence of stated actions.

Although OCFO did not concur with Recommendation 1, OCFO's actions taken and/or planned are responsive and meet the intent of the recommendation. Therefore, we consider this recommendation resolved but open pending evidence that OCFO utilizes a specific criterion of the CAMA system to run a report on Lots 836, 837, and 855 in Square 37.

Director Anderson and Chief Financial Officer DeWitt
Audit of the West End Library and Fire Station Maintenance Fund
Final Report OIG Project No. 20-1-01MA(b)
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We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions concerning this report, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in blue ink, appearing to read "D W Lucas", with a stylized flourish at the end.

Daniel W. Lucas
Inspector General

DWL/cmw

Enclosure

DISTRIBUTION:

The Honorable Muriel Bowser, Mayor, District of Columbia, Attention: Betsy Cavendish (via email)

Mr. Kevin Donahue, Interim City Administrator, District of Columbia (via email)

Mr. Barry Kreiswirth, General Counsel, City Administrator, District of Columbia (via email)

Mr. Jay Melder, Assistant City Administrator, District of Columbia (via email)

Mr. Eugene Adams, Director, Mayor's Office of Legal Counsel (via email)

Mr. John Falcicchio, Deputy Mayor for Planning and Economic Development and Chief of Staff, Executive Office of the Mayor (via email)

The Honorable Phil Mendelson, Chairman, Council of the District of Columbia (via email)

The Honorable Robert C. White, Jr., Chairperson, Committee on Facilities and Procurement Council of the District of Columbia (via email)

The Honorable Brandon T. Todd, Chairperson, Committee on Government Operations, Council of the District of Columbia (via email)

Ms. LaToya Foster, Director of Communications, Office of Communications, Executive Office of the Mayor (via email)

Ms. Jennifer Reed, Director, Office of Budget and Performance Management, Office of the City Administrator (via email)

Ms. Nyasha Smith, Secretary to the Council (via email)

The Honorable Karl Racine, Attorney General for the District of Columbia (via email)

Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (via email)

The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor, Attention: Cathy Patten (via email)

Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management (via email)

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BACKGROUND

The Council of the District of Columbia enacted the West End Parcels Development Omnibus Act of 2010 (West End Act or Act), effective April 8, 2011, which authorized the District of Columbia Board of Library Trustees and the District of Columbia Fire and Emergency Medical Services Department (FEMS) to procure services for the design, development, and construction of a new library and fire station. The West End Library was to be built in Square 37 and the West End Fire Station in Square 50, both located in the District's West End neighborhood.

The West End Act also established a West End Library and Fire Station Maintenance Fund (Maintenance Fund). The Maintenance Fund was created as a mechanism for the District to pay for supplemental expenses and maintenance, insurance, and capital replacement for the West End Library and West End Fire Station. According to the Act, the Maintenance Fund is to be funded by "85% of the Deed Transfer and Recordation taxes attributable to the new buildings constructed on Lots 836, 837, and 855 in Square 37," and the purpose of the Maintenance Fund is to ensure both the West End Fire Station and West End Library are "maintained in a manner that is consistent with the high-quality conditions of the larger buildings of which they are a part."

The Council of the District of Columbia enacted the West End Parcels Development Omnibus Amendment Act of 2016, effective March 11, 2017, which assigned joint management responsibility for the Maintenance Fund to the Department of General Services (DGS) and the District of Columbia Public Library (DCPL). DGS and DCPL entered into a Memorandum of Agreement (MOA) in March 2018, which further refined each agency's responsibilities pertaining to use and management of the Maintenance Fund. Through amendments, the term of the agreement subsequently extended to September 30, 2020.

The OIG is required to conduct an annual audit of the Maintenance Fund and transmit the report to the Mayor and the Council of the District of Columbia no later than 90 days after close of the fiscal year.

FINDINGS

WEST END LIBRARY AND FIRE STATION MAINTENANCE FUND

From July 1, 2018,³ to September 30, 2019, the Office of Tax and Revenue (OTR) deposited \$686,870 in revenue into the Maintenance Fund as shown in Table 1 below.

Table 1. Fund Income

| Monthly Collection Activities | Fees Collected and Deposited |
|--------------------------------------|-------------------------------------|
| September 2018 | \$109,569 |
| October 2018 | \$9,313 |
| November 2018 | \$30,566 |
| December 2018 | \$105,502 |
| January 2019 | \$66,925 |
| September 2019 | \$36,926 |
| Prior Year Audit Adjustments | \$182,217 |
| Additional Adjustments | \$145,852 |
| Total Revenue | \$686,870 |

Source: OIG analysis of OTR financial records.

OTR Erroneously Deposited Deed Transfer and Recordation Taxes Not Attributable to the Maintenance Fund

According to D.C. Code § 1-325.181(b), the Chief Financial Officer is required to deposit into the Maintenance Fund 85 percent of the deed transfer and recordation taxes attributable to the new buildings constructed on Lots 836, 837, and 855 in Square 37. For example, OTR deposited revenue⁴ from October 2018 property sales on Lots 2081 and 2113 in Square 37 into the Maintenance Fund account. However, Lots 2081 and 2113, located at 1121 24th St, N.W., are not in the same address as Lots 836, 837, and 855 (located at 1111 24th St, N.W.).

The OIG discussed the discrepancy with OTR officials, who provided the following written explanations:

The discrepancy was due to the fact that RAA [Revenue Accounting Administration] transferred revenues that were attributed to sales in lots in square 37 that did not belong to the West End Library and Fire Station Maintenance Project. RAA requested from the assessor’s office in RPTA [Real Property Tax Administration] a listing of sales for the referenced period. The request, although it cited West End, did not specify the West End Library and Fire Station Maintenance project. RAA was unaware that there would be more than one condo project existing in the same square and when the request was made,

³ As the scope of the prior audit of the Fund covered October 1, 2017, through June 30, 2018, we included the last quarter of FY 2018 (July 1 to September 30, 2018) in the FY 2019 review.

⁴ 85% of deed transfer and recordation taxes.

the appraisal staff would not have known the specified project unless otherwise, stated in the request.

Similarly, the OIG noted that OTR deposited \$145,852 in deed transfer and recordation taxes that were not attributable to the Maintenance Fund.

OTR Did Not Maintain a List of New Buildings Constructed on Lots 836, 837, and 855 in Square 37

Although OTR was unable to provide the OIG a complete listing of new buildings constructed on Lots 836, 837, and 855 in Square 37 when requested, an OTR official confirmed that: (1) Lots 836, 837, and 855 in Square 37 were absorbed into Lot 57 in tax year 2014, (2) Lot 57 was split into Lots 862, 863, and 864, and (3) Lot 0864 was split into Lots 2126-2196 condo conversions.

The OIG discussed the need for a complete listing of new buildings constructed on Lots 836, 837, and 855 in square 37 with OTR officials, who provided the following written explanations:

OTR, through the Real Property Assessor [Division] (RPAD), has a process in place to track the construction, deeding and transfer of all buildings in the District. RPAD is responsible for providing all building permits in the District. When a building sale occurs the deed and recordation are handled by the Recorder of Deeds (ROD). This information is then sent to RPAD to be uploaded automatically to the CAMA [Computer-Assisted Mass Appraisal] system. To create a listing of all new buildings constructed on lots 836, 837 and 855, RPAD would input certain criteria unique to the development into the CAMA system and create the appropriate requested list.

Maintaining a complete listing of all the new buildings constructed on Lots 836, 837, and 855 in Square 37 will help OTR ensure that deed transfer and recordation taxes attributable to the Maintenance Fund are accurate and complete.

The OIG also discussed the need for a periodic update of the listing of buildings constructed on Lots 836, 837, and 855 in Square 37 with OTR officials, who provided the following written explanations:

RPAD already has a procedure to update listing when lots are retired and/or new lots are established. RAA, however, would include in its policy and procedures of the West End Library and Maintenance Fund that periodically we will request from RPAD a listing of lots on the West End Library & Maintenance Fund Development. This would be used to compare the sales information received from RPAD.

Periodically updating the list when lots are retired and/or new lots are established will help OTR maintain an accurate account of lots related to the Maintenance Fund.

As a result, the Maintenance Fund income was overstated by \$155,165. According to OTR officials, OTR, through the RAA will prepare a journal entry to transfer \$155,165 from the Maintenance Fund to the General Fund.

We recommend that the Chief Financial Officer:

1. Enhance the CAMA system to maintain a complete listing of all new buildings constructed on Lots 836, 837, and 855 in Square 37.
2. Update RAA’s policy and procedures to periodically update the listing of buildings constructed on Lots 836, 837, and 855 in Square 37.

EXPENDITURES FROM THE WEST END LIBRARY MAINTENANCE FUND

DGS and DCPL records indicated that the total West End Library Maintenance Fund expenditures for the period of July 1, 2018, to September 30, 2019, were \$99,704 as shown in Table 2 below.

Table 2. West End Library Maintenance Expenditures

| Monthly Expense | FY 2018 | FY 2019 | Total |
|------------------------|--------------------|--------------------|--------------------|
| October | | \$4,302.00 | \$4,302.00 |
| November | \$3,773.00 | \$3,953.00 | \$7,726.00 |
| December | \$3,773.00 | \$10,278.00 | \$14,051.00 |
| January | \$3,773.00 | \$3,726.00 | \$7,499.00 |
| February | \$3,773.00 | \$4,266.00 | \$8,039.00 |
| March | \$3,773.00 | \$3,948.00 | \$7,721.00 |
| April | \$3,773.00 | \$4,854.00 | \$8,627.00 |
| May | \$3,773.00 | \$5,497.00 | \$9,270.00 |
| June | \$3,773.00 | \$3,915.00 | \$7,688.00 |
| July | \$3,773.00 | \$3,928.00 | \$7,701.00 |
| August | \$3,773.00 | \$4,405.00 | \$8,178.00 |
| September | \$3,773.00 | \$5,129.00 | \$8,902.00 |
| Total | \$41,503.00 | \$58,201.00 | \$99,704.00 |

Source: OIG analysis of DGS financial records

Budgets Were Not Approved by DGS as Required

Pursuant to Section 4(a)(I)(ii) of the Property Maintenance Agreement (PMA), *Budgets and Payment of Assessments*, and the subsequent amendment to the PMA, DGS had a right to approve the Fiscal Year (FY) 2019 budget for the West End Library Maintenance Fund no later than June 30, 2018, if “(a) the applicable budget . . . exceed[ed] ten percent (10%) of the total corresponding budget for [FY 2018]; and (b) [any] line item of the applicable budget exceed[ed] ten percent (10%) of the corresponding line item of the budget for [FY 2018]”.⁵ The OIG found that the FY 2019 total budget exceeded the total corresponding budget for FY 2018 by

⁵ PROPERTY MAINTENANCE AGREEMENT, DISTRICT OF COLUMBIA & [], 4-5 (2018); FIRST AMENDMENT TO PROPERTY MAINTENANCE AGREEMENT, DISTRICT OF COLUMBIA & [], 1-2 (2019).

approximately 28.54 percent. The OIG also found specific line items in the FY 2019 budget that exceeded the corresponding line items in the FY 2018 budget by more than the allotted 10 percent. The budget line items and corresponding increases were:

- Cleaning by 31.54 percent;
- Repairs and maintenance by 162.22 percent;
- Landscaping by 206.14 percent;
- Security by 33.33 percent; and
- General and administrative by 125.60 percent.

DGS did not approve the overall budget and line item increases in accordance with the PMA. The OIG discussed the lack of budget review and approval with DGS officials, who provided a written explanation stating that DGS is not a party or a signatory to the PMA. Although DGS was not a signatory to the PMA for the West End Library,⁶ DGS was named as a party according to the terms of the PMA and its amendments, including as follows:

This SECOND AMENDMENT TO PROPERTY MAINTENANCE AGREEMENT ("Second Amendment"), is made as of this 31st day of May, 2019 by and between the DISTRICT OF COLUMBIA a municipal corporation, acting by and through the Department of General Services (the "District"; in its capacity as the owner of the Library Parcel, the "Library Owner"), and [], a District of Columbia nonprofit corporation ("Manager").⁷

Also, DGS explained that DCPL has sole responsibility for the West End Library management conflicts with the West End Parcels Development Omnibus Amendment Act of 2016, effective March 11, 2017, which clarified DGS' and DCPL's roles in managing the Maintenance Fund. Further, officials at DCPL stated that "[h]ere at the Library, we request a new/amended [PMA] each fiscal year. [T]his agreement . . . includes a proposed budget which breaks down the Library's 6.17% assessment." Unlike the FY 2018 PMA, the FY 2019 PMA did not include a proposed budget that breaks down the Library's 6.17% assessment.⁸ The review and approval of budgets would help DGS proactively identify any Maintenance Fund expenditures that are not permitted under the law.

Invoices for West End Library Were Not Submitted, Reviewed, and Approved for Payments in a Timely Manner

Section 4(c) *Budgets and Payment of Assessments* of the PMA requires DGS to receive all invoices on or before the last day of each calendar month and pay each invoice on or before the 30th day of the month following the month in which it received the invoice. However, the OIG found that DGS did not ensure invoice submission and payment occurred as required by the PMA. For example, on September 4, 2018, DGS received an invoice in the sum of \$41,503, for

⁶ DCPL's Executive Director and General Counsel signed off on behalf of DGS and the District.

⁷ SECOND AMENDMENT TO PROPERTY MAINTENANCE AGREEMENT, DISTRICT OF COLUMBIA & [], 1-2 (2019).

⁸ See the Second Amendment to the PMA.

the November 2017 through September 2018 service period, but DGS did not pay the invoice until December 3, 2018.

According to DGS, “[t]he current DGS Accounts payable process, policy and procedures are operating effectively to ensure timely payment of invoices.” The delay occurred due to “delays in invoice submission by the supplier and agency review and approval timeline.” The delay in invoice processing may impact DGS’s ability to review and accept the work performed under each invoice in a timely manner. Also, the delay impacted the accuracy of the Maintenance Fund’s balance from one FY to the next.

EXPENDITURES FROM THE FIRE STATION MAINTENANCE FUND

DGS and FEMS records indicate that the total Fire Station Maintenance Fund expenditures for the period July 1, 2018, to September 30, 2019, was \$247,712.52 as shown in Table 3 below.

Table 3. Fire Station Maintenance Expenditures

| Monthly Expense | FY 2017 | FY 2018 | FY 2019 | Total |
|------------------------|--------------------|--------------------|---------------------|---------------------|
| October | | \$7,976.16 | \$9,526.23 | \$17,502.39 |
| November | | \$6,742.34 | \$7,095.98 | \$13,838.31 |
| December | | \$8,949.55 | \$8,527.96 | \$17,477.51 |
| January | | \$8,306.47 | \$8,769.05 | \$17,075.52 |
| February | | \$5,902.71 | \$8,210.10 | \$14,112.81 |
| March | | \$8,485.45 | \$9,371.20 | \$17,856.65 |
| April | | \$19,164.99 | \$20,306.76 | \$39,471.74 |
| May | | \$8,855.15 | \$8,628.29 | \$17,483.44 |
| June | \$6,322.33 | \$6,783.78 | \$9,541.59 | \$22,647.70 |
| July | \$7,793.68 | \$6,407.29 | \$9,081.58 | \$23,282.55 |
| August | \$7,884.08 | \$5,212.81 | \$7,560.84 | \$20,657.73 |
| September | \$12,102.58 | \$6,305.50 | \$7,898.09 | \$26,306.17 |
| Total | \$34,102.67 | \$99,092.20 | \$114,517.67 | \$247,712.52 |

Source: OIG analysis of DGS Financial Records.

Actual Payments for Fire Station Maintenance Exceeded the Approved Budget Amount

The OIG found that DGS paid more than the budgeted fund amount for operation of the Fire Station. For example, the FY 2017 expenditure amount was \$34,102.67, as shown in Table 3, but the corresponding approved budget was \$27,616.87 as included in the PMA. As a result, the actual payment exceeded the budgeted amount by \$6,485.80.

Invoices for the Fire Station Were Not Submitted, Reviewed, and Approved for Payments in a Timely Manner

The PMA⁹ for the Fire Station requires DGS to receive all invoices on or before the last day of each calendar month and pay each invoice on or before the 15th day of the month following the month in which it received the invoice. However, the OIG found that DGS did not ensure invoice submission and payment occurred as required by the PMA. For example, on May 30, 2018, DGS received a \$14,228 invoice for October 2017 through May 2018 service periods, but DGS did not pay the invoices until August 12, 2019. According to DGS, “[t]he current DGS Accounts payable process, policy and procedures are operating effectively to ensure timely payment of invoices.” The delay occurred due to “delays in invoice submission by the supplier and agency review and approval timeline.”

The delay in invoice processing may impact DGS’s ability to timely review and accept the work performed under each invoice. Also, the delay affected the accuracy of the Maintenance Fund’s balance from one FY to the next.

DGS Did Not Receive Annual Statements for Fire Station Maintenance Fund Expenditures

According to the PMA, DGS should receive an annual statement¹⁰ in reasonable detail of actual expenses for the prior FY within sixty (60) days after the end of each FY. The OIG noted that DGS received annual statements for FY 2018 and FY 2019 West End Library maintenance expenditures, but did not receive annual statements for Fire Station maintenance expenditures covering the period of FY 2017 through FY 2019. The annual statements serve as a mechanism to ensure the Fire Station Maintenance Fund is used solely for maintenance of Fire Station facilities in “a manner that is consistent with the high-quality conditions of the larger buildings of which they are a part” as required by District law.¹¹

We recommend that the Director, Department of General Services:

3. Develop procedures to enforce the annual review and approval of the Maintenance Fund budget in accordance with D.C. Code § 1–325.181(a) and the PMAs for the West End Library and the Fire Station.
4. Develop and implement policies and procedures to ensure vendor invoices are received, processed, and paid timely in accordance with the PMA for the West End Library and the Fire Station.
5. Develop a plan to perform periodic and regular reconciliation of estimated and actual expenditures to ensure the Maintenance Fund excludes expenditures that are not permitted under the law.

⁹ DISTRICT OF COLUMBIA & [], PROPERTY MAINTENANCE AGREEMENT, 5 (2017).

¹⁰ *Id.* at 4-5.

¹¹ D.C. Code § 1–325.181(a).

MAINTENANCE FUND BALANCE

DGS records indicated that the Maintenance Fund balance was \$2,309,318 as of September 30, 2019 as shown in Table 4 below.

Table 4. Maintenance Fund Balance as of September 30, 2019

| Descriptions | FY 2019 |
|---------------------------------------|--------------------|
| Beginning Balance as of June 30, 2018 | \$1,904,349 |
| Fund Income (Table 1) | \$686,870 |
| Fund Expenditures (Table 2 and 3) | (\$347,417) |
| Interest Revenue | \$65,516 |
| Ending Fund Balance | \$2,309,318 |

Source: OIG analysis of DGS financial records

The Maintenance Fund Balance Was Overstated

As discussed previously, OTR deposited deed transfer and recordation taxes from property sales not attributable to the new buildings constructed on Lots 836, 837, and 855 in Square 37 which was not permitted by D.C. Code § 1-325.181(b). As a result, the Maintenance Fund's balance was overstated by \$155,165, as of September 30, 2019.

We recommend that the Chief Financial Officer:

- Adjust the Maintenance Fund balance to correct the overstatement by transferring \$155,165 in deed transfer and recordation taxes from the Maintenance Fund into the District's General Fund.

LIABILITIES OF THE MAINTENANCE FUND

DGS records indicated that the liabilities of the Maintenance Fund balance were \$114,518 as of September 30, 2019, as shown in Table 5 below.

Table 5. Fund Liabilities as of September 30, 2019

| Expenditures Incurred in FY 19 but paid in FY 20 | Amount |
|---|-------------------------|
| Fire Station Maintenance in expenditures (Table 3) | \$114,518 ¹² |
| Total Liabilities | \$114,518 |

Source: OIG analysis of DGS financial records

¹² This amount was paid in full on October 23, 2019.

Maintenance Fund Liabilities Were Underreported

Unlike Fire Station Maintenance expenditures, DGS did not report the FY 2019 expenditures incurred for West End Library maintenance that were not paid until FY 2020 as the Maintenance Fund Liabilities.

Table 6. List of Expenditures not reported as Maintenance Fund Liabilities

| Invoice Number | Invoice Date | Service Period | Payment Date | Payment Amount |
|----------------|--------------|----------------|--------------|-----------------|
| DCPL_201908 | 8/25/2019 | August 2019 | 10/23/2019 | \$4,405 |
| DCPL_201810 | 8/25/2019 | October 2018 | 10/07/2019 | \$4,302 |
| DCPL_201909 | 9/30/2019 | September 2019 | 10/31/2019 | \$5,129 |
| Total | | | | \$13,836 |

Source: OIG analysis of DGS financial records

According to DGS, these invoices are related to DCPL not DGS and DCPL did not have to accrue these invoices since they are paid in FY2019. DGS further explains instead of the check dates, the System of Accounting and Reporting (SOAR) effective date should be used to determine the FY in which the vouchers were processed and liabilities were reported. Although vouchers were created for these invoices in FY 2019, DGS did not include the vouchers in its reporting for Maintenance Fund Liabilities as of September 30, 2019. As a result, Fund liabilities were underreported by \$13,836.

We recommend that the Director, Department of General Services:

7. Develop procedures to ensure the Maintenance Fund Liabilities are reported accurately.

ASSETS OF THE MAINTENANCE FUND

DGS records indicated that the Asset of the Maintenance Fund balance was \$2,423,835 as of September 30, 2019 as shown in Table 7 below.

Table 7. Fund Asset as of September 30, 2019

| Asset | FY 2019 |
|---------------------------|--------------------|
| Pooled Cash ¹³ | \$2,423,835 |
| Total Asset | \$2,423,835 |

Source: OIG analysis of DGS financial records

¹³ Cash for the Fund is deposited into a pooled account with the District.

Maintenance Fund Asset Was Overstated.

As discussed previously, OTR incorrectly deposited deed transfer and recordation taxes from property sales that are not attributable to the new buildings constructed on Lots 836, 837, and 855 in Square 37 as required by D.C. Code § 1–325.181(b). As a result, the Maintenance Fund’s pooled cash balance was overstated by \$155,165, as of September 30, 2019. Also, the Maintenance Fund’s pooled cash balance was overstated by \$13,836, due to unreported liabilities discussed above.

PRIOR YEAR RECOMMENDATION IMPLEMENTATION STATUS

The OIG noted that corrective actions for five of six recommendations included in its prior year audit report dated November 16, 2018,¹⁴ have been implemented as of September 30, 2019. See Appendix C of this report for prior year recommendations status.

DGS has not completed implementation of the prior OIG audit recommendation of the Fund (Recommendation 5) to develop policies and procedures for how to expend the Maintenance Fund in accordance with D.C. Code § 1–325.181(a). Agency officials responded that DGS plans “to engage DCPL (D.C. Public Library) and develop policies and procedures to help ensure proper invoicing against and expenditures from the Maintenance Fund.”¹⁵

CONCLUSION

The OIG determined that OCFO erroneously recorded deed transfer and recordation taxes from property sales that were not attributable to the Maintenance Fund, which resulted in the overstatement of the Maintenance Fund by \$155,165. DGS did not always review and approve budgets, invoices, and annual statements to ensure the accuracy and completeness of Maintenance Fund expenditures. In addition, the assets, liabilities, and fund balance were not recorded or reported accurately. Finally, DGS did not develop policies and procedures for how to expend the Maintenance Fund in accordance with D.C. Code as recommended by OIG in October 2018. The OIG made seven recommendations to OCFO and DGS to implement additional control activities to ensure that the Maintenance Fund is recorded and reported accurately, and managed in accordance with District law.

AGENCY RESPONSES AND OFFICE OF THE INSPECTOR GENERAL COMMENTS

We provided the Department of General Services (DGS) and the Office of the Chief Financial Officer (OCFO) with our draft report on September 29, 2020, and received their responses on October 19, 2020, and October 22, 2020, respectively. We appreciate that DGS and OCFO officials began addressing some of the findings immediately upon notification during the audit.

¹⁴ D.C. OFFICE OF THE INSPECTOR GEN., OIG Project No. 18-1-22MA, AUDIT OF THE WEST END LIBRARY AND FIRE STATION MAINTENANCE FUND FOR THE PERIOD OF OCTOBER 1, 2016, THROUGH JUNE 30, 2018 (Nov. 2018).

¹⁵ The agency provided this note in response to the FY 2020 Audit Recommendation Questionnaire for previously issued but unresolved audit recommendations in Q1 FY20.

DGS's and OCFO's responses to the draft report are included in their entirety in Appendix E and F, respectively.

We made seven recommendations to DGS and OCFO for actions deemed necessary to correct the identified deficiencies. DGS and OCFO concurred with Recommendations 2-7. DGS's and OCFO'S actions taken and/or planned are responsive and meet the intent of these recommendations. Therefore, we consider these recommendations resolved but open pending evidence of stated actions.

Although, OCFO did not concur with Recommendation 1, OCFO's actions taken and/or planned are responsive and meet the intent of the recommendation. Therefore, we consider this recommendation resolved but open pending evidence that OCFO utilizes a specific criterion of the CAMA system to run a report on Lots 836, 837, and 855 in Square 37.

APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

The OIG conducted this audit to: (1) determine whether the assets, liabilities, fund balance, revenue, and expenditures of the Maintenance Fund were recorded and reported accurately and (2) identify any Maintenance Fund expenditures that were not permitted under the law. We conducted our audit field work from December 2019, to August 2020, in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit covered the West End Library and Fire Station Maintenance Fund activities, for the Period July 1, 2018, through September 30, 2019. We met with District officials at DGS, OTR, DCPL, and FEMS to obtain an understanding of the environment in which the Fund was managed. We reviewed internal controls within the DGS and OTR applicable to the Fund. We obtained copies of the accounting entries of the Fund and analyzed them for conformity with accounting principles generally accepted in the United States, and for the presentation of accounting results as required by the legislation creating the Fund. We also reviewed maintenance agreements, memoranda of agreement, invoices, deeds, and sales data. We verified the computation of the 85 percent of the deed transfer and recordation taxes attributable to the new buildings constructed on Lots 836, 837, and 855 in Square 37.

We assessed the validity and reliability of computer-processed data and performed limited existence and completeness tests to verify the accuracy of the data.

APPENDIX B. ACRONYMS AND ABBREVIATIONS

| | |
|-------|--|
| CAMA | Computer-Assisted Mass Appraisal |
| D.C. | District of Columbia |
| DCPL | District of Columbia Public Library |
| DGS | Department of General Services |
| GAGAS | Generally Accepted Government Auditing Standards |
| MOA | Memorandum of Agreement |
| OCFO | Office of the Chief Financial Officer |
| OIG | Office of the Inspector General |
| OTR | Office of Tax and Revenue |
| PMA | Property Maintenance Agreement |
| RAA | Revenue Accounting Administration |
| ROD | Recorder of Deeds |

APPENDIX C: FOLLOW-UP ON PRIOR YEAR RECOMMENDATIONS

Follow-up on Prior Year Recommendations

| Recommendation No. | Prior Year Recommendations | FY 2020 Status Per Agency | OIG Review and Conclusion |
|--------------------|--|---------------------------|---------------------------|
| 1 | Establish a review and approval process for tracking revenue applicable to the Maintenance Fund prior to sending documents to RAA. | Implemented | Closed |
| 2 | Establish a reconciliation process for recording revenue applicable to the Maintenance Fund. | Implemented | Closed |
| 3 | Perform a complete reconciliation of all property sales transactions made on Square 37 to identify and correct underreported revenue applicable to the Maintenance Fund. | Implemented | Closed |
| 4 | Deposit an additional \$182,217 into the Maintenance Fund. | Implemented | Closed |
| 5 | Develop and implement policies and procedures for how to expend the Maintenance Fund in accordance with D.C. Code § 1-325.181(a). | No | Open |
| 6 | Develop a plan to prepare financial statements on an annual basis beginning with FY 2018. | Implemented | Closed |

Source: OIG analysis

APPENDIX D. TABLE OF RECOMMENDATIONS

| Responsible Agency | Recommendations | Potential Monetary Benefits | Agency Response |
|--------------------|--|-----------------------------|-------------------------------|
| OCFO | 1. Enhance the CAMA system to maintain a complete listing of all new buildings constructed on Lots 836, 837, and 855 in Square 37. | | Did not concur. ¹⁶ |
| OCFO | 2. Update RAA’s policy and procedures to periodically update the listing of buildings constructed on Lots 836, 837, and 855 in Square 37. | | Concurred. |
| DGS | 3. Develop procedures to enforce the annual review and approval of the Maintenance Fund budget in accordance with D.C. Code § 1–325.181(a) and the PMAs for the West End Library and the Fire Station. | | Concurred. |
| DGS | 4. Develop and implement policies and procedures to ensure vendor invoices are received, processed, and paid timely in accordance with the PMAs for the West End Library and the Fire Station. | | Concurred. |
| DGS | 5. Develop a plan to perform periodic and regular reconciliation of estimated and actual expenditures to ensure the Maintenance Fund exclude expenditures that are not permitted under the law. | | Concurred. |
| OCFO | 6. Adjust the Maintenance Fund balance to correct the overstatement by transferring \$155,165 in deed transfer and recordation taxes from the Maintenance Fund into the District’s General Fund. | \$155,165.00 | Concurred. |
| DGS | 7. Develop procedures to ensure the Maintenance Fund Liabilities are reported accurately. | | Concurred. |

¹⁶ Although OCFO did not concur with this recommendation, OCFO’s actions taken and/or planned are responsive and meet the intent of the recommendation.

APPENDIX E. DGS'S RESPONSE TO THE DRAFT REPORT



October 19, 2020

(Sent via E-Mail)
Daniel W. Lucas
Inspector General
Office of the Inspector General
717 14th Street, N.W.
Washington, DC 20005

Re: Response to Draft Report titled "Audit of the West End Library and Fire Station Maintenance Fund (OIG Project No. 20-1-01MA(b)) ("Report")

Dear Inspector General Lucas:

The Department of General Services ("DGS") is in receipt of the above-referenced Report, and we appreciate the opportunity to provide our responses to the Report. DGS also appreciates your observations and welcomes the opportunity to constructively review your feedback on these critical District functions. DGS has prepared the enclosed response to address the Report's recommendations for DGS implementation. We appreciate you including this response with the final Report.

We thank you for your efforts and look forward to working with you to further improve these critical District functions.

Best regards

Key: 73c8e4330e303e1dac40142718f22ff

Keith A. Anderson, Director
D.C. Department of General Services

APPENDIX E. DGS'S RESPONSE TO THE DRAFT REPORT

Department of General Services
Response to West End Library and Maintenance Fund Draft Report
Recommendations
October 16, 2020

| Recommendation 3 | Timeline |
|---|------------|
| Develop procedures to enforce the annual review and approval of the Maintenance Fund budget in accordance with D.C. Code § 1-325.181(a) and the PMA for the West End Library and the Fire Station. | 10/30/2020 |
| <p>DGS Response: Agree.</p> <p>A formal review and approval process shall occur no later than 60 days before the close of fiscal years. This review will be performed by the COTR (DGS) and an FEMS designee and the Manager, as prescribed in the PMA. Upon review, and if approved, the budget documents will be distributed to the FMD Budget Operations Team and all appropriate parties.</p> | |
| Recommendation 4 | Timeline |
| Develop and implement policies and procedures to ensure vendor invoices are received, processed, and paid timely in accordance with the PMA for the West End Library and the Fire Station. | 10/30/2020 |
| <p>DGS Response: Agree.</p> <p>The Manager and his team have been informed and instructed on the proper submission of invoices, using the DC Vendor Portal. The COTR (DGS) shall perform a monthly review of the work performed to ensure it follows that which has been described in the pre-fiscal year budget meeting and that expenditures are consistent with the SOW's and estimate provided prior to commencement. The Manager shall be reminded monthly, via electronic mail, to submit all invoices via the DC Vendor Portal to ensure timely payment. The COTR will follow up via phone call if the deadline is not met.</p> | |
| Recommendation 5 | Timeline |
| Develop a plan to perform periodic and regular reconciliation of estimated and actual expenditures to ensure the Maintenance Fund exclude expenditures that are not permitted under the law. | 10/30/2020 |

APPENDIX E. DGS'S RESPONSE TO THE DRAFT REPORT

| <p>DGS Response: Agree. Only reviewed and approved expenditures, pursuant to the contract and the PMA, shall be paid via the Maintenance Fund. The COTR (DGS) shall perform a monthly reconciliation of estimated and actual expenditures, in cooperation with the Manager and the Budget Operations Team (DGS) via email, phone, or electronic meeting. The reconciliation shall review the Maintenance Fund Budget to ensure the work being performed and paid for is in accordance with the pre-fiscal year budget meeting. Any expenditures not already accounted for or not previously approved (emergencies notwithstanding) will be subject to review for approval or rejection by the COTR (DGS) prior to the commencement of the work. Any expenditures incurred outside of this process will be subject to rejection in the payment approval process and returned to the vendor for resolution.</p> | |
|---|------------------------|
| <p>Recommendation 7</p> | <p>Timeline</p> |
| <p>Develop procedures to ensure the Maintenance Fund Liabilities are reported accurately.</p> | |
| <p>DGS Response: Agree. OCFO/DGS AFO sending information to OIG.</p> | |

APPENDIX F. OCFO'S RESPONSE TO THE DRAFT REPORT

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



Jeffrey S. DeWitt
Chief Financial Officer

October 22, 2020

Daniel Lucas
Inspector General
Office of the Inspector General
717 14th Street, NW, 5th Floor
Washington, DC 20005

Re: OCFO Response: Draft Report on the Audit of the West End Library and Fire Station Maintenance Fund (OIG Project No. 20-1-01MA (b))

Dear Mr. Lucas:

I am writing in response to your letter, dated September 28, 2020, regarding the Office of the Inspector General's draft report entitled, "*Audit of the West End Library and Fire Station Maintenance Fund (OIG Project No. 20-1-01MA (b))*." Attached are the Office of the Chief Financial Officer's responses to the recommendations identified in the report.

If you have any questions, please feel free to contact Timothy Barry, Executive Director, Office of Integrity and Oversight, at 442-6433.

Sincerely,



Jeffrey S. DeWitt

Attachment

cc: [REDACTED], Deputy CFO, Office of Tax and Revenue
[REDACTED], Associate CFO, Government Operations Cluster
[REDACTED], Executive Director, Office of Integrity and Oversight

APPENDIX F. OCFO'S RESPONSE TO THE DRAFT REPORT

**Department of General Services
OCFO Response to West End Library and Fire Station Maintenance Fund Audit Recommendations
October, 2020**

| Recommendation 1 | Timeline |
|---|--------------------------|
| <p>Enhance the CAMA system to maintain a complete listing of all new buildings constructed on Lots 836, 837, and 855 in Square 37.</p> | |
| <p>OCFO Response:</p> <p>OTR's Response:</p> <p>We do not concur with the auditor's recommendation because the CAMA system contains every parcel of land in the District which is identified by a specific square and lot number. Additionally, there is a unique identifier in the system for each development in the District which facilitates the history of the lots to be maintained.</p> <p>Consequently, OTR, through the Real Property Assessment Division (RPAD), tracks the construction, deeding and transfer of all buildings in the District and is responsible for providing all building permits in the District. To do this effectively, RPAD utilizes the CAMA for certain information. When a building sale occurs the deed and recordation of that sale are handled by the Recorder of Deeds (ROD) and this information is then sent to RPAD to be uploaded automatically to the CAMA system.</p> <p>To create a listing of all new or existing buildings on lots 836,837 and 855, RPAD would input a specific criterion into the CAMA system unique to the development. Hence, the request for information to identify new or existing buildings on Lots 836, 837, and 855 in Square 37 must be clearly expressed by the requestor so that the correct query can be inputted into the CAMA system. Based on this information, enhancements to the system are not warranted.</p> | |
| Recommendation 2 | Timeline |
| <p>Update RAA's policy and procedures to periodically update the listing of buildings constructed on Lots 836, 837, and 855 in Square 37.</p> | |
| <p>OCFO Response:</p> <p>OTR's Response.</p> <p>We concur with the auditor's recommendation and propose the following revisions to the related policy and procedures. RAA will include in its policy and procedures of the West End Library and Maintenance Fund (Fund) that, periodically, we will request from Real Property Assessment Division (RPAD) an updated list of lots on the West End Library & Maintenance Fund Development. This list will be used to compare the sales information received from RPAD to timely identify any variances and ensure the appropriate amount of revenues are transferred to the Fund, accordingly.</p> | <p>11/15/2020</p> |

APPENDIX F. OCFO'S RESPONSE TO THE DRAFT REPORT

| Recommendation 6 | Timeline |
|---|-------------------|
| 6. Adjust the Maintenance Fund balance to correct the overstatement by transferring \$155,165 in deed transfer and recordation taxes from the Maintenance Fund into the District's General Fund. | |
| <p>OCFO Response:</p> <p>OTR's Response.</p> <p>We concur with the auditor's recommendation. OTR through the Revenue Accounting Administration (RAA) will prepare a journal entry to transfer \$155,165 from the West End library and Fire Station Fund to the general fund.</p> | 11/15/2020 |
| Recommendation 7 | Timeline |
| Develop procedures to ensure the Maintenance Fund Liabilities are reported accurately. | |
| <p>OCFO Response:</p> <p>DGS Accounting concurs that the three vouchers with a total amount of \$13,836 referred by OIG were recorded timely and reported accurately in SOAR by DC Public Library (Seller agency). However, as indicated by OIG, the financial statements prepared by DGS Accounting reported the intra-district expenditures related to these liabilities but failed to reflect the liabilities. Under the current intra-district SOAR configuration, all unliquidated liabilities and the related intra-district cash are reported and later liquidated in SOAR under the seller agency books (DCPL). Based on the current standard intra-district process, DGS' books do not reflect the liquidation status of expenditures billed by the seller agency (DCPL) in order to report these liabilities in the fund financial statements.</p> <p>To remediate this limitation, DGS accounting updates its annual closing checklist to incorporate procedures to obtain liquidation status of expenditures from DCPL and transfer unliquidated liabilities and the related intra-district cash to DGS - West End Library and Fire Station Fund.</p> <p>This action step ensures that unliquidated DCPL liabilities related to this Fund are reported in SOAR under DGS and reflected under DGS trial balance when the financial statements are prepared from DGS books. DGS will also provide a reconciliation of DCPL accrued expenditure balances with the liabilities transferred and reported by DGS as part of the annual fund financial statement submission to OIG.</p> | 10/30/2020 |