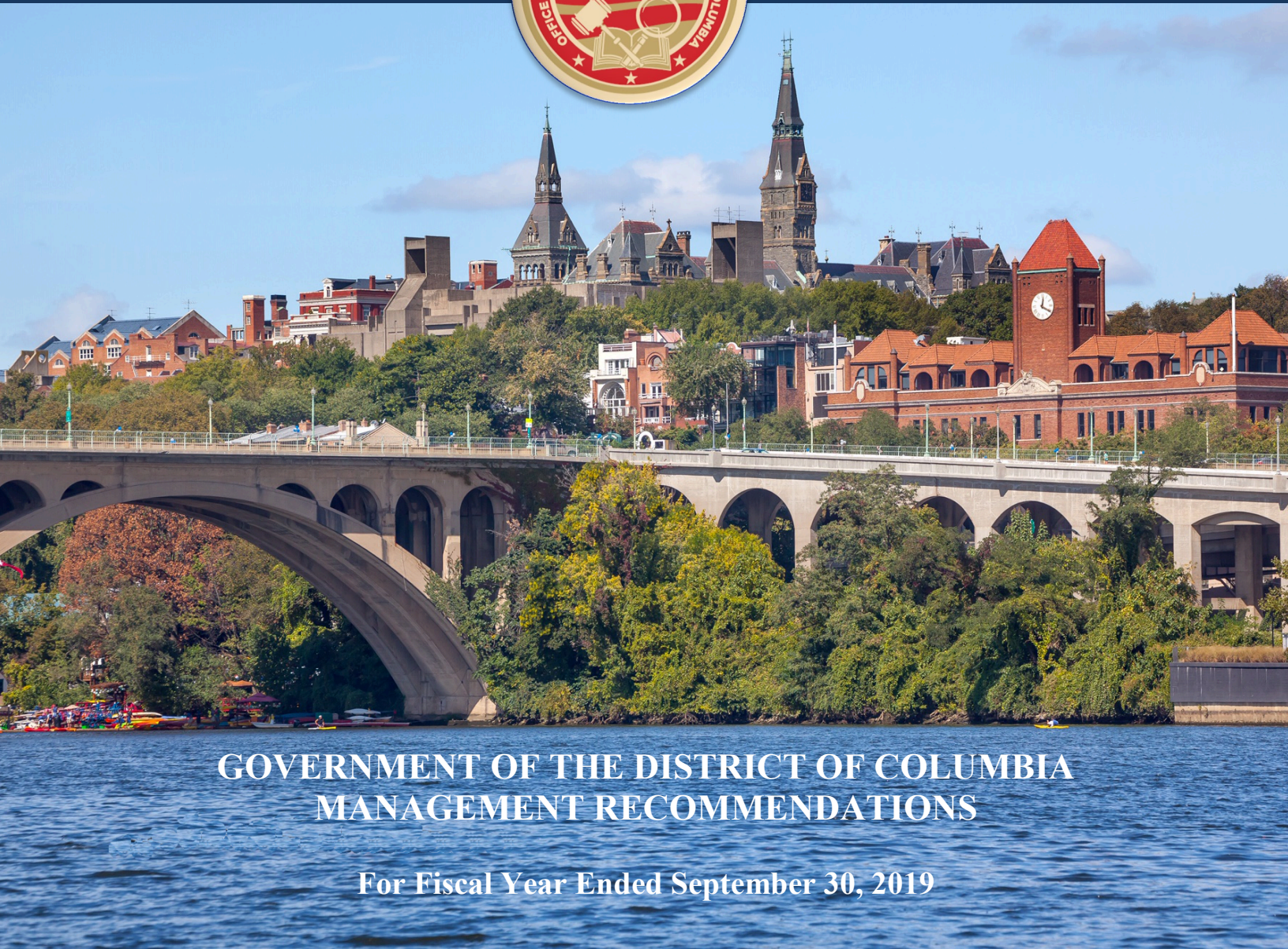


DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 20-1-18MA

February 2020



GOVERNMENT OF THE DISTRICT OF COLUMBIA MANAGEMENT RECOMMENDATIONS

For Fiscal Year Ended September 30, 2019

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



GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Inspector General

Inspector General



February 12, 2020

The Honorable Muriel Bowser
Mayor of the District of Columbia
Mayor's Correspondence Unit
1350 Pennsylvania Avenue, N.W., Suite 316
Washington, D.C. 20004

Jeffrey S. DeWitt
Chief Financial Officer
Office of the Chief Financial Officer
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 203
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Dear Mayor Bowser, Chairman Mendelson, and Chief Financial Officer DeWitt:

Enclosed is the District of Columbia Management Recommendations report for fiscal year (FY) 2019 (OIG No. 20-1-18MA) SB & Company, LLC (SBC) issued January 22, 2020. SBC submitted this report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for FY 2019.

This report sets forth SBC's comments and recommendations intended to improve internal controls or result in other operating efficiencies in District government. The report also includes SBC's summary of FYs 2018, 2017, and 2016 management recommendations and the corresponding implementation status.

If you have questions about this report, please contact me or Benjamin Huddle, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Daniel W. Lucas
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

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Mr. Graylin (Gray) Smith, Partner, SB and Company, LLC (via email)

Government of the District of Columbia

Management Recommendations

For the Year Ended September 30, 2019



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

To the Mayor, City Council, Inspector General and
Chief Financial Officer of the Government of the District of Columbia

In planning and performing our audit of the basic financial statements of the Government of the District of Columbia and related entities (the District) as of and for the year ended September 30, 2019, in accordance with 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, we considered the District's internal controls over financial reporting (internal controls) as a basis for designing audit procedures that were 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 controls. Accordingly, we did not express an opinion on the effectiveness of the District's internal controls over financial reporting.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. Although no matter of a material weakness was noted, other recommendations have been noted which we believe will further improve the District's internal controls or operating effectiveness.

A deficiency in internal controls 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 controls, 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. None of the identified deficiencies in internal controls were considered to be a material weakness.

This letter does not affect our report dated January 22, 2020, on the financial statements of the District. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal controls or result in other operating improvements.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, our observations and recommendations to improve the District's internal controls and operations. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Washington, DC
January 22, 2020



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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UNIVERSITY OF THE DISTRICT OF COLUMBIA

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II. STATUS OF PRIOR YEAR MANAGEMENT RECOMMENDATIONS



I. CURRENT YEAR RECOMMENDATIONS

HOME PURCHASE ASSISTANCE PROGRAM

1. Maintain Loan Receivable File Support

The Home Purchase Assistance Program's (HPAP) loans consist of two types of loans deferred and amortized. Deferred loans allow the borrower to defer payment of the principal until the property purchased ceases to be their principal residence. Except for employee deferred loans, deferred loans with a closing date subsequent to March 14, 1997, require repayment to begin after five years. Employee loans are provided under Employee Assisted Housing Program (EAHP) to employees of the District of Columbia who are first time homebuyers purchasing in the District.

Repayments on employee loans are deferred until the housing unit is sold, transferred or cease to be the borrower's principal residence.

During the deferred loan testing, management did not provide SBC with three borrower's promissory notes to verify the existence of the deferred promissory note. SBC was not provided with loan files for three selections.

Recommendation

SBC recommends that management considers developing controls around document retention of loan files which would ensure periodic reconciliation of the loan files against the loans outstanding.

Management Response

It is the case that three of the requested files could not be located. The identified missing files loan files were booked between 1983 and 1987, which are within HPAP's first few years of operations. This was more than two decades before the Department of Housing and Community Development (DHCD) had a functioning Portfolio Asset Management Division (PAMD). There was no servicing contract when the loans were booked.

Since then, DHCD has strengthened the processes and controls for booking of loans and storing loan documentation. External audit findings, along with recommendations from the District's Office of the Chief Financial Officer (OCFO), resulted in the formation, staffing, and operation of the current PAMD. Additionally, the OCFO has implemented internal controls to ensure that all loan disbursements are reconciled with loans transmitted to the third-party loan servicer. We believe that if those loans were booked today, their associated documentation and storage would meet all local and Federal regulations and requirements.



UNIVERSITY OF THE DISTRICT OF COLUMBIA

2. Ensure Foundation Financial Statements are in Compliance with GAAP

The September 30, 2019, separately audited financials of the University of the District of Columbia Foundation (the Foundation) were not properly stated in accordance with accounting principles generally accepted in the United States of America (GAAP), as established by the Financial Accounting Standards Boards (FASB) issued Accounting Standards Update 2016-14, Not-For-Profit Entities Presentation of Financial Statements that was effective for fiscal years beginning after December 15, 2017. As such, the Foundations FY 2019 financials should have been reported in accordance with the new pronouncement and it was not. As a result, the financial statements and footnotes were not in accordance with GAAP.

Recommendation

SBC recommends that the University of the District of Columbia work with the Foundation's management to ensure the that future audited financial statements are in accordance with GAAP, as well as ensuring the Foundation's management has skill sets in place to take responsibility for statements that are in accordance with GAAP.

Management Response

Management concurs with the finding. We have recently hired new accountants who have been working to improve the internal policies and reporting for the Foundation which includes the proper treatment of all of the Foundation's grants and scholarships. The next phase of the improvement process is to change auditors and retain the services of an audit firm that specializes in working with nonprofits and has the appropriate expertise in that industry.

A formal RFP has been prepared and is in the process of being sent to firms with the goal for the contract to be awarded no later than July 31, 2020.



II. STATUS OF PRIOR YEAR MANAGEMENT RECOMMENDATIONS

Listed below is the status of our previous recommendations as of September 30, 2019, that were not resolved as of the fiscal year 2018 management letter.

MANAGEMENT RECOMMENDATIONS – FY18		
	RECOMMENDATIONS	STATUS
GENERAL GOVERNMENT		
1	Update unsupported SQL Server software Supporting iNovah	Implemented
2	Use Encryption to Secure Data (back-up tapes)	Implemented
3	Implement a Risk Management Framework to Comply with National Institute of Standards and Technology (NIST) Publication 800-37	Partially Implemented
4	Patch Updates to Peoplesoft and Supporting Infrastructure (Operating System and Database)	Implemented
5	Use PeopleSoft to calculate certain Earnings Codes	Implemented
6	Improve the Segregation of Duties – Change Management [Department of Employment Services (DOES)]	Implemented
7	Improve the Controls Over the Out-Lease Monthly Cash Receipts	Partially Implemented

MANAGEMENT RECOMMENDATIONS – FY17		
	RECOMMENDATIONS	STATUS
GENERAL GOVERNMENT		
1	Encrypt iNovah Data	Not Implemented
2	Maintain Files Supporting Medicaid Eligibility	Partially Implemented
OFFICE OF LOTTERY AND CHARITABLE GAMES		
3	Develop Vulnerability Scan Procedures for Timely Remediation of Critical Risks	Partially Implemented
UNIVERSITY OF THE DISTRICT OF COLUMBIA		
4	Enhance Controls over Technology Support Processes	Implemented

MANAGEMENT RECOMMENDATIONS - FY16		
	RECOMMENDATIONS	STATUS
GENERAL GOVERNMENT		
1	Processes Are Not in Place to Ensure Data is Secured Based on the OCTO Data Classification Policy	Partially Implemented
2	Medicaid Eligibility Files Were Not Provided to Auditors	Partially Implemented