

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 23-1-14DB(a)

January 31, 2024



## Government of the District of Columbia Home Purchase Assistance Program Fund 0602

Management Recommendations for  
the Year Ended September 30, 2023

### ***GUIDING PRINCIPLES***

***ACCOUNTABILITY \* INTEGRITY \* PROFESSIONALISM***  
***TRANSPARENCY \* CONTINUOUS IMPROVEMENT \****  
***EXCELLENCE***



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We independently audit, inspect, and investigate matters pertaining to the District of Columbia government 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.

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

## OUR GUIDING PRINCIPLES

- Accountability
- Continuous Improvement
- Excellence
- Integrity
- Professionalism
- Transparency





January 31, 2024

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
Mayor's Correspondence Unit  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 316  
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

Subject: **Government of the District of Columbia Home Purchase Assistance Program Fund 0602| 23-1-14DB(a)**

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report *Government of the District of Columbia Home Purchase Assistance Program Fund 0602 Management Recommendations for the Year Ended September 30, 2023* (OIG No. 23-1-14DB(a)). McConnell Jones, LLP (MJ) submitted this report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2023.

On January 4, 2024, MJ issued two recommendations intended to improve the effectiveness of internal controls over the Home Purchase Assistance Program's (HPAP) operations. When addressed, these improvements can increase assurances that HPAP runs its operations efficiently and effectively, reports reliable information about its operations, and complies with applicable laws and regulations.

If you have questions about this report, please contact me or Eileen Shanklin-Andrus, Acting 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. Wayne McConnell, Managing Partner, McConnell & Jones LLP

**HOME PURCHASE ASSISTANCE PROGRAM  
FUND 0602  
(a part of the General Fund of the Government of the  
District of Columbia)**

**MANAGEMENT RECOMMENDATIONS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**



# McConnell Jones

January 3, 2024

To the Mayor, Members of the Council of the District of Columbia, and  
the Inspector General of the District of Columbia

In planning and performing our audit of the financial statements of the Home Purchase Assistance Program (the Fund), in accordance with auditing standards generally accepted in the United States of America, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain matters involving the internal control and other operational matters, which are summarized below.

Our findings and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We believe that the implementation of these recommendations will provide the Fund with a stronger system of internal control while also making its operations more efficient. We will review the implementation status of our findings and recommendations during the next audit engagement.

This letter does not affect our independent auditor's report, or our report issued under *Government Auditing Standards*, dated January 3, 2024, on the financial statements of the Fund.

This communication is intended solely for the information and use of management, others within the organization, the Mayor and members of the Council of the District of Columbia, and the Inspector General of the District of Columbia, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

*McConnell Jones LLP*

Washington, D.C.  
January 3, 2024

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## I. CURRENT YEAR FINDINGS

### **Finding 2023-001 – New Loan expenditure set up sheets missing evidence of review.**

According to the new loans process narrative received from the Fund management, the financial manager is required to review the new loans set up sheet prior to submitting the final package to the loan servicer (TCAM), however the setup sheet does not have a section specifically designed to document the review and approval of the financial manager.

During our testing of controls over new loans expenditures, we noted that the Fund new loans set up sheet was not designed to exhibit evidence of manager review or approval.

Due to the design of the form itself, Management does not formally document the financial manager review in the setup sheet. As a result, changes associated to the review may not be tracked and therefore, there is a risk that incorrect loan information could be provided to TCAM. This can result in the incorrect loan repayment amount recorded for cash receipts.

### **Recommendation**

Management needs to update the new loan expenditure set up sheet to include a specific section for the documentation of the financial manager's review and approval prior to the new loan being set up in TCAM.

### **Management Response**

Management did not agree with the finding. The purpose of the loan set up sheet is to summarize the information in the loan/borrower package (no new information is included) so that it is easier for TCAM to set up loan correctly. It is submitted in Excel format so that TCAM can upload it in their system. Although the actual set up sheet is not signed, for the reason previously mentioned, the email that the Financial Manager sends to the Program Financial Specialist is evidence of the approval. If the Financial Manager identifies a discrepancy, the Manager sends an email to the Specialist asking for the error to be corrected. Once she receives a revised document, she reviews and sends email back with documents to Program Financial Specialist for submission to TCAM (an email of email was shared with the auditors). In addition, a compensating (detective) control is the monthly loan reconciliation performed by the Shared Services Center (SSC). The SSC Accountant maintains a list of new loans issued by DHCD, based on documents submitted to TCAM, which is reconciled on a monthly basis to the new loans report obtained from TCAM. If discrepancies are notes, Accountant takes actions to ensure that they are resolved.

### **Auditor's Comment**

We believe documenting this review on the new loan set up sheet provides better audit evidence, and that management's review of the new loan set up sheet is part of effective internal controls.



**I. CURRENT YEAR FINDINGS (cont'd)**

**Finding 2023-002 – October Cash receipts Journal Vouchers were missing approvals.**

According to the Economic Development and Regulation Cluster - Financial Policies and Procedures Manual, Cash Collecting and Recording, Section 55100020.60 Procedures, the financial manager is required to review the cash receipts prior to the journal being posted into the system. Our testing of controls over cash receipts identified 3 deposit transactions processed during October that were not approved by the Fund financial manager prior to entering into the District Integrated Financial System (DIFS).

After discussing with management, it was found that the Fund's financial management failed to approve journal entries to recorded deposit transactions during October 2022. The journal entries to record cash deposits were put into DIFS by the accountant without the approval of the financial manager and there were found to be 26 transactions in total occurring in October 2022.

Management failed to review the transactions due to the implementation of DIFS and this was identified by management in November 2022. Although it was discovered in November that the approval of journal entries to record deposit transactions was not taking place in DIFS, the October deposits had been processed without proper approvals. Transactions processed without appropriate review and approval present the risk of an error in the posting of cash receipts.

**Recommendation**

Management should strengthen internal controls to ensure deposit transactions are properly reviewed and approved before being entered into the financial system.

**Management Response**

Management concurs with the finding as this was a one-time event and has been corrected. The journal entries were reviewed by the Financial Manager prior to entering in the District Integrated Financial System (DIFS), but the approval was not documented. With the implementation of DIFS, management believed there would be system approvals in DIFS that would make the signatures on the paper deposit entry duplicative. As a result, although the Financial Manager reviewed journal entry supporting documents before posting, the October 2022 deposit batch journal entries did not include that the approval was not documented in DIFS, the deposits were already posted, and management did not believe it possible to modify or upload additional signed documents. Immediately upon identifying this issue, the manager resumed signing journal entry forms for cash receipts transactions. In addition, management later determined that additional documents could be uploaded/attached to posted receipts or journal entries in DIFS. Therefore, the Financial Manager went back to review, again, all the miscellaneous receipts for October 2022 and added evidence of her review/approval.

**REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.**

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