

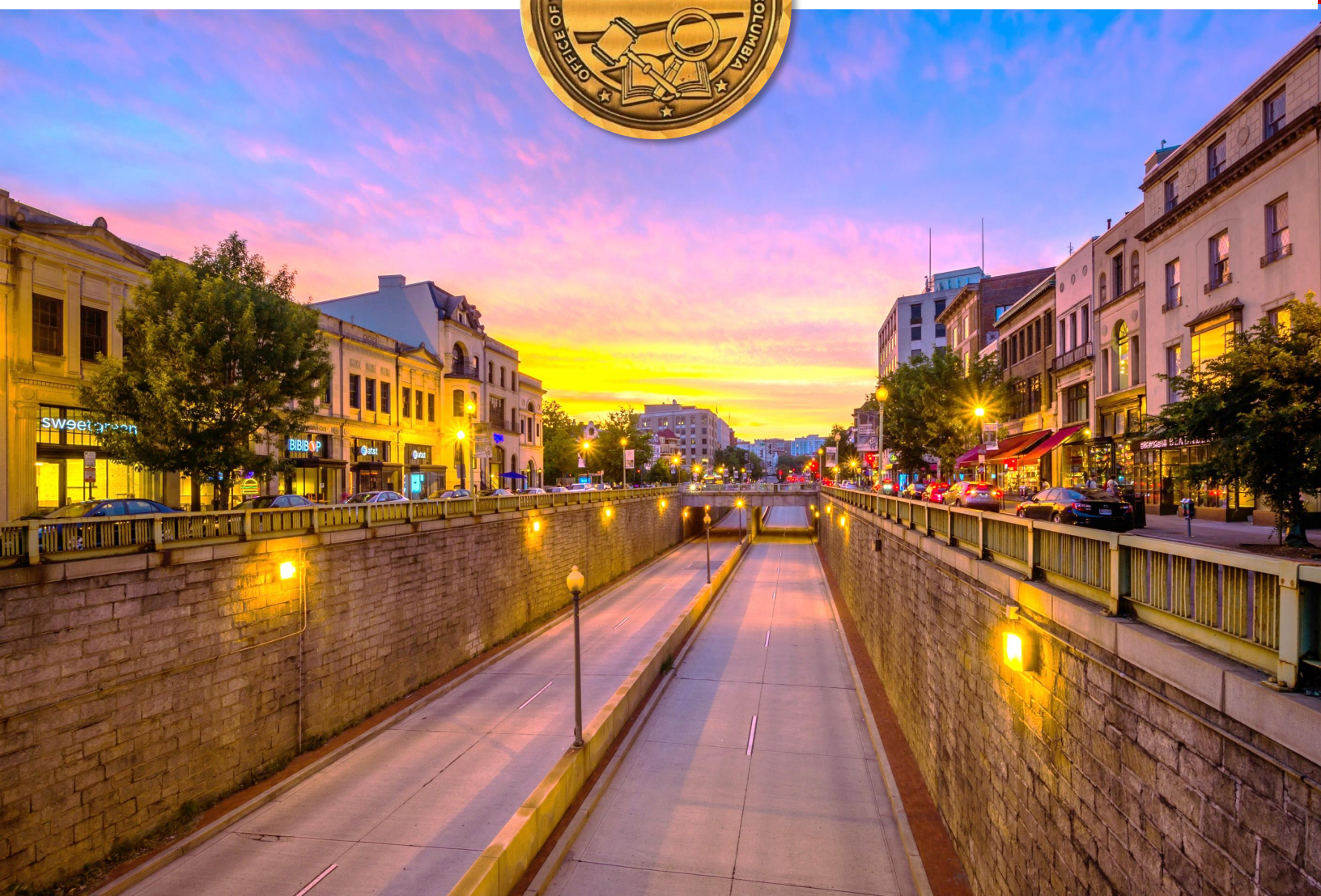
# AUDIT REPORT

Colorado Columbia, LLC

Statement of Net Position with Reports of Independent Public Accountants  
Fiscal Year 2024

OIG No. 24-2-32HY

April 15, 2025



**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: Keith Pettigrew  
Executive Director  
District of Columbia Housing Authority

Heather Mueller  
Chief Financial Officer  
District of Columbia Housing Authority

Raymond Skinner  
Board Chair  
Stabilization and Reform Board of Commissioners

From: Daniel W. Lucas   
Inspector General

Date: April 15, 2025

Subject: **Colorado Columbia, LLC Statement of Net Position**  
**OIG No. 24-2-32HY**

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This memorandum transmits the final *Colorado Columbia, LLC Statement of Net Position with Reports of Independent Public Accountants* for fiscal year 2024. SB & Company (SBC) conducted the audit and submitted these reports as part of our overall contract for the audit of the District of Columbia Housing Authority's basic financial statements for fiscal year 2024.

We received SBC's report on April 11, 2025. In this report, SBC noted one material weakness in internal control over financial reporting and issued one recommendation to implement corrective action. Due to the significance of this issue, SBC did not express an opinion on the agency's financial statements.

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

**COLORADO COLUMBIA, LLC**  
**(A Component Unit of the District of Columbia Housing Authority)**

**Statement of Net Position with**  
**Reports of Independent Public Accountants**

**As of September 30, 2024**

**COLORADO COLUMBIA, LLC**

**Statement of Net Position Together with  
Reports of Independent Public Accountants**

**SEPTEMBER 30, 2024**

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Mayor, Members of the Council of the Government of the District of Columbia,  
the Inspector General of the Government of the District of Columbia, and the  
Board of Commissioners of the District of Columbia Housing Authority and  
Colorado Columbia, LLC  
Washington, D.C.

### ***Disclaimer of Opinion***

We were engaged to audit the statement of net position of Colorado Columbia, LLC (Colorado Columbia) as of September 30, 2024, and the related notes to the statement of net position.

We do not express an opinion on the accompanying statement of net position of Colorado Columbia. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the accompanying statement of net position.

### ***Basis for Disclaimer of Opinion***

During the year ended September 30, 2024, Colorado Columbia implemented a new computerized accounting system. Because of the implementation of the new accounting system and other issues, we could not obtain sufficient audit evidence to verify amounts in the accompanying statement of net position. As of the date of our audit report, management has not rectified its system deficiencies, or provided support for certain balances related to assets, liabilities, and net position.

### ***Responsibilities of Management for the Statement of Net Position***

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

In preparing the statement of net position, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Colorado Columbia's ability to continue as a going concern for one year after the date that the statement of net position is issued.



***Auditor's Responsibilities for the Audit of the Statement of Net Position***

Our responsibility was to conduct an audit of Colorado Columbia's statement of net position in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of net position.

We are required to be independent of Colorado Columbia and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2025, on our consideration of Colorado Columbia's internal controls 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 to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Colorado Columbia's internal controls over financial reporting and compliance.

Washington, D.C.  
April 7, 2025

*SB + Company, LLC*

# **COLORADO COLUMBIA, LLC**

## **Statement of Net Position**

**As of September 30, 2024**

### **ASSETS**

#### **CURRENT ASSETS**

Cash and Cash Equivalents - Unrestricted	\$	3,026,943
Cash and Cash Equivalents - Restricted		229,234
Tenant Receivables, Less: Allowance for Doubtful Accounts		58,288
Prepaid Expenses and Other Assets		13,004
Total Current Assets		<u>3,327,469</u>

#### **NONCURRENT ASSETS**

Capital Assets, Less Accumulated Depreciation		<u>2,172,123</u>
Total Assets	\$	<u><u>5,499,592</u></u>

### **LIABILITIES AND NET POSITION**

#### **CURRENT LIABILITIES**

Tenant Security Deposits	\$	1,952
Other Liabilities		86,435
Due to DCHA		<u>478,213</u>
Total Current Liabilities		566,600

#### **NET POSITION**

Net Investment in Capital Assets		2,172,123
Unrestricted		<u>2,760,869</u>
Total Net Position		<u>4,932,992</u>
Total Liabilities and Net Position	\$	<u><u>5,499,592</u></u>

The accompanying notes to the statement of net position is an integral part of this statement.



# **COLORADO COLUMBIA, LLC**

## **Notes to the Statement of Net Position September 30, 2024**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Operations**

Colorado Columbia, LLC supports the District of Columbia Housing Authority (DCHA) by acquiring, constructing, leasing, managing, operating, selling, and dealing with real property and improvement, including in particular affordable residential housing and homeownership units.

#### **Basis of Presentation and Accounting**

Colorado Columbia is presented as a blended component unit in DCHA's financial statements. This is because of the fiscal dependency and because of common members of the board of commissioners/directors who serve on the respective boards. The accompanying statement of net position is only those of Colorado Columbia and is not intended to present the net position of DCHA taken as a whole.

Colorado Columbia uses the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States (GAAP) for not-for-profit entities.

#### **Use of Estimates**

The preparation of the statement of net position in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the statement of net position. Actual results could differ from those estimates.

#### **Income Taxes**

Colorado Columbia is a District of Columbia (D.C.) limited liability company and is treated as a disregarded entity for tax purposes. Because Colorado Columbia is not a taxpaying entity for federal or state income tax purposes, no income tax expense or provision has been recorded in the statement of net position. Income of Colorado Columbia is passed through to its sole member, DCHA.

#### **Cash and Cash Equivalents**

Colorado Columbia considers all highly liquid investments with a maturity of three months or less when purchased and nonnegotiable certificates of deposit to be cash equivalents. There were no noncash investing and financing activities during the year. It is Colorado Columbia's policy that all funds on deposit are collateralized in accordance with the policies of DCHA.

As of September 30, 2024, Colorado Columbia deposits had a carrying amount of \$3,256,177 and a bank balance of \$3,256,177. All deposits were covered by FDIC insurance or fully collateralized.

# COLORADO COLUMBIA, LLC

## Notes to the Statement of Net Position September 30, 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Tenant Receivables – Net of Allowance**

Accounts receivable are made up of amounts due from tenants. All accounts receivable balances are reviewed to determine whether they are collectible. Management has established an allowance for doubtful accounts of \$150,260 as of September 30, 2024.

#### **Prepaid Items**

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year-end are recorded as prepaid items.

#### **Capital Assets**

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

Donated capital assets are recorded at their estimated acquisition or fair value at the time they are received.

*Depreciation:* The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	40 Years
Building Modernization	15 Years
Furniture, Fixtures, and Equipment	5 to 10 Years

*Maintenance and Repairs:* Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$5,000 with an estimated useful life of one year or more are capitalized. Colorado Columbia has defined acquisition costs to include labor cost, materials, and supplies, and contract costs incurred in connection with a betterment and addition. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

## COLORADO COLUMBIA, LLC

### Notes to the Statement of Net Position September 30, 2024

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Net Position Classifications

Net position is displayed in three components:

Net Investment in Capital Assets – This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etcetera.

Unrestricted Net Position – This component consists of net position that does not meet the definition of “Net Investment in Capital Assets” or “Restricted Net Position.”

#### 2. CAPITAL ASSETS

Capital assets consist of land, buildings, leasehold improvements, furniture and equipment.

The following is a summary of capital assets as of September 30, 2024:

	September 30, 2023	Additions	Deletions	September 30, 2024
Not Being Depreciated:				
Land	\$ 104,213	\$ -	\$ -	\$ 104,213
Depreciable:				
Buildings	6,358,636	-	-	6,358,636
Furniture and equipment	147,767	-	-	147,767
Leasehold improvements	61,984	-	-	61,984
Total Depreciable Capital Assets	6,568,387	-	-	6,568,387
Accumulated Depreciation	(4,341,513)	(158,964)	-	(4,500,477)
Total Depreciable	2,226,874	(158,964)	-	2,067,910
Total	\$ 2,331,087	\$ (158,964)	\$ -	\$ 2,172,123



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF STATEMENT OF NET POSITION PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Mayor, Members of the Council of the Government of the District of Columbia,  
the Inspector General of the Government of the District of Columbia, and the  
Board of Commissioners of the District of Columbia Housing Authority and  
Colorado Columbia, LLC  
Washington, D.C.

We were engaged to audit, 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 (*Government Auditing Standards*), the statement of net position of Colorado Columbia, LLC (Colorado Columbia) as of September 30, 2024, and the related notes to the statement of net position, and have issued our disclaimer of an opinion dated April 7, 2025. Our report disclaims an opinion on such statement of net position because we were not able to obtain sufficient audit evidence on certain assets, liabilities and net position to form an opinion.

***Report on Internal Controls Over Financial Reporting***

In connection with our engagement to audit the statement of net position of Colorado Columbia, we considered Colorado Columbia's internal controls over financial reporting (internal controls) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the statement of net position, but not for the purpose of expressing an opinion on the effectiveness of Colorado Columbia's internal controls. Accordingly, we do not express an opinion on the effectiveness of Colorado Columbia's internal controls.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of finding and response, we identified a certain deficiency in internal controls that we consider to be a material weaknesses. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 Colorado Columbia's statement of net position will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of finding and response to be a material weakness.

### ***Report on Compliance and Other Matters***

In connection with our engagement to audit the statement of net position of Colorado Columbia, 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 statement of net position. However, providing an opinion on compliance with those provisions was not an objective of our engagement, 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*. However, if the scope of our work had been sufficient to enable us to express an opinion on the statement of statement of net position, other instances of noncompliance or other matters may have been identified and reported herein.

### **Colorado Columbia's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Colorado Columbia's response to the findings identified in our engagement and described in the accompanying schedule of finding and response. Colorado Columbia's responses were not subjected to the other auditing procedures applied in the engagement to audit the statement of net position and, accordingly, we express no opinion on the responses.

### **Purpose of This Report**

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

Washington, D.C.  
April 7, 2025

*SBC + Company, LLC*

## **COLORADO COLUMBIA, LLC**

### **Schedule of Finding and Response For the Year Ended September 30, 2024**

#### **Finding: 2024-01**

#### **Type of Finding: Material Weakness – Financial Closing Process and Verification of Balances**

##### **Condition:**

SBC noted that Colorado Columbia lacks an adequate closing process. Additionally, there was no validation to ensure that all material account balances in the general ledger were supported and accurate. The deficiencies in the close process resulted in SBC being unable to obtain sufficient audit evidence to verify or determine the proper accounting for balances related to the statement of net position.

##### **Criteria:**

Management must implement a formal financial statement closing process that ensures all material account balances are verified to guarantee the accuracy and completeness of the statement of net position. The process should ensure all transactions of the entity are properly recorded and charged to the correct entity during the year.

##### **Cause:**

Management lacked adequate controls over the statement of net position closing process and the verification process for account balances to ensure the year end balances are accurate and all transactions during the year were properly recorded.

##### **Effect:**

There was a disclaimer of opinion issued on the statement of net position as of September 30, 2024, because the necessary support to identify incorrect or unsupported account balances was not in place or could not be found. There was also no assurance that all and only transactions related to the entity were properly recorded during the year.

##### **Recommendation:**

SBC recommends that management establish a formal closing process that reconciles and analyzes all material account balances. This process should include specific timelines, defined responsibilities, appropriate supervisory reviews, and the necessary standard journal entries. This process should also ensure all transactions of the entity was properly included in the year end balances.

##### **Management's Response:**

Management acknowledges the recommendation. The management team went through several changes in the last few years and there have been delays in producing financial statements in a timely manner. Additionally, there was a financial and payroll software conversion completed in FY24. Management is working on developing a new closing process.



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## REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

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